



# UMKHANYAKUDE DISTRICT MUNICIPALITY

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ANNUAL REPORT FOR UMKHANYAKUDE DISTRICT MUNICIPALITY

2015/2016

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## MAYOR'S FOREWORD

The Annual Report is a transparent account of the District accomplishments in the year under review, but does not shy away from indicating gaps in spending or delivery where they exist.

The report is published in terms of the requirements of the Municipal Finance Management Act No. 56 of 2003 and Municipal Systems Act of 2000 as amended which requires municipalities to report on all aspects of performance, providing a true, honest and accurate account of the goals set by Council and our success.

This Annual Report aims to enhance governance and promote accountability. It forms part of a cycle of ongoing planning, monitoring and evaluation that begins with the formulation and annual review of the Integrated Development Plan. This in turn helps the District to make its budget determinations and set targets for delivery.

The intervention by the Cabinet of Kwa Zulu Natal to place uMkhanyakude District Municipality under Section 139 (1) (b) of the South African Constitution 108 of 1996 was acknowledge and welcomed by the Council of uMkhanyakude. This intervention has brought a lot of change when it comes to Service Delivery in particular Infrastructure development. The KZN Treasury also brought support to uMkhanyakude Finance Department and there is growing confidence that the Municipality will be moving away from all the challenges that finance Department used to experience before.

UMkhanyakude has experienced service delivery protests more especially at Jozini, however the Council and the Administrator have worked tirelessly in resolving community protest by engaging uMngeni Water Board, uMhlathuze water and WSSA in resolving water challenges.

Major projects have been planned and executed, such as the completion of the Shemula Water Scheme and some other major projects that are nearly in the completion stage and these include Jozini-Ingwavuma Scheme and Hlabisa-Mandlakazi. Jozini Ingwavuma Scheme is a state of the art project that will ensure that Jozini, Mbazwana and Ingwavuma residents get sufficient water. The scheme is capable of delivering 40 Mega litres which will supply ±50 200 households. Shemula Water Scheme is one of the water projects that will supply uMhlabuyalingana and some part of Jozini residents with water. Shemula water Scheme has a capacity of 7 Mega litres but it was upgraded to 20 Mega Liters (2012-1016). Shemula water scheme will benefit ±67 200 household.

uMkhanyakude is one of the districts that is heavily affected by persistent drought. This is a fifth year not getting constant rain. The capacity of Jozini Dam is currently under 45% and Hluhluwe Dam is at 10% but there has been an initiative to drill more than 20 boreholes around the District and supply communities with water through water tank system to ensure that people get water as drought season seems to be prolonged.

Lastly uMkhanyakude District Council has committed itself to ensuring that it improves revenue collection and the entire financial wellbeing of the Municipality. Currently there is an initiative of installing meters for business sector and households around the District. The billing section is being revived to be more efficient and improve on debt management. This is a great achievement indeed and the District Municipality is also dealing with water leaks and is fixing the bulk pipe line to SAVE WATER.

**I CALL ALL UMKHANYAKUDE CITIZENS TO:**

SAVE WATER!

USE WATER SPARINGLY!

REPORT THE LEAKS!

A handwritten signature in black ink, appearing to read 'S Mkhombo', is written over a horizontal line.

Cllr S Mkhombo

His Worship the Mayor

## MUNICIPAL MANAGER'S OVERVIEW

UMkhanyakude District Municipality is presenting the Annual Report for 2015/2016 financial year as per the mandate of the Municipality which is aligned to the following legislated Key Performance Areas (KPA's):

1. Basic Service Delivery
2. Local Economic Development
3. Municipal Financial Viability and Management
4. Municipal Transformation and Institutional Development
5. Good Governance and Public Participation

UMkhanyakude District Municipality adopted its District Growth and Development Plan (DGDP) which is aligned to the Provincial Growth and Development Strategy (PGDS) and the National Development Plan (NDP). The DGDP is the road map towards attaining the vision **"A model District in service delivery excellence"** and strategic objectives of the Municipality by 2030.

During the 2015/2016 financial year; the Municipality aligned the DGDP to the following delivery priorities:

1. Water
2. Sanitation / Sewerage
3. Environmental Health
4. Economic, Social or Community and Skills Development
5. Poverty eradication and Food Security
6. Revenue Enhancement
7. Spatial Planning and Development
8. Information Communication Technology (ICT)
9. Good Governance and Clean Administration

It is worth mentioning that UMcKhanyakude District Municipality has had its fair share of challenges during the year under review. This resulted to a Cabinet decision of 07 October 2015 to invoke Section 139 (1) (b) of the Constitution.

Through a collaborative effort between the Intervention Team led by the Administrator and the management team of the Municipality led by the Acting Municipal Manager; a detailed Recovery Plan was developed and implemented accordingly. The focus of the Recovery Plan was to address mainly the issues that led to the decision to invoke Section 139 (1) (b) and any other matter that led to the total collapse of the administration.

I am proud to present the following highlights that have been achieved as at 30 June 2016:

### SERVICE DELIVERY HIGHLIGHTS

- 100% expenditure on MIG allocation for 2015/2016 financial year
- Shemula as well as Jozini-Ingwavuma water schemes have improved water provision to most communities in the area of Jozini and Umhlabuyalingana municipalities
- Sanitation programmes have been successfully implemented throughout the District

## **LOCAL ECONOMIC DEVELOPMENT**

- Umhloosinga Development Agency has been coordinating the programme for schools nutrition. This programme has benefited SMMEs and increased job creation opportunities locally.

## **MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT**

- Cash backing of all conditional grants for 2015/2016 financial year
- Implementation of cost curtailment measures
- Classified creditors that the municipality was owing between R100 000 up to R1 000 000 and paid them as per the creditors payment plan. About 117 service providers were paid about R7,4m.
- Debtors were also addressed as per the revenue collection strategy which mainly focussed on government departments and businesses.

## **MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION**

- Review of the Organizational structure
- The delay on finalisation of organogram and job description was as a result of non-functional LLF. The LLF has since been revived and the programme of finalising job descriptions and the organogram will be finalised by 2016/2017 financial year.

## **GOOD GOVERNANCE AND PUBLIC PARTICIPATION**

- Revival of Intergovernmental Structures gained momentum during 2015/2016 financial year however there is still room for improvement. The IGR structures need to sit and thoroughly discuss the business of the Municipality as such practice would ultimately minimise the risk of service delivery protests
- Development and implementation of the Audit Action Plan for the 2014/2015 audit
- Revival of the Audit Committee
- Accountability of the Internal Audit Unit – outsourced function, build internal capacity
- Development of the District Rapid Response Team

Without a doubt, the municipality continues to make progress towards achieving its mandate of providing developmental service delivery to its citizens. A word of gratitude goes to the community of UMkhanyakude District Municipality at large for their patience and their willingness to work with the Municipality, Intervention Team, management and staff for working tirelessly towards transforming the Municipality for the better, the Council of UMkhanyakude District Municipality for playing an oversight role as well as the Support Team from COGTA, Provincial Treasury and Department of Water and Sanitation for lending a helping hand.



MR. T. Z. MOKHATLA  
ACTING MUNICIPAL MANAGER

## MUNICIPAL POWERS AND FUNCTIONS

Municipal Powers and Functions reflect activities that municipalities are obliged to perform. Partly it all depends on the category of the municipality. In terms of the Municipal Structures Act Umkhanyakude District Municipality falls under Category C.

The powers and functions of the UMkhanyakude District Municipality, tabled in terms of sections 83 and 84 of the Municipal Structures Act, are as follows:

- 1) Integrated Development Planning for the District Municipality as a whole, including a framework for integrated development plans for the local municipalities within the area of the District Municipality, taking into account the integrated developments plans on those local municipalities,
- 2) Bulk supply of water that affects a significant proportion of municipalities in the district
- 3) Bulk supply of electricity that affects a significant proportion of municipalities in the district.
- 4) Municipal Health Services serving the area of the District Municipality as a whole
- 5) Fire Fighting services serving the area of the District Municipality as a whole

The following functions are shared by both the district and its family of municipalities:

- 1) Promotion of local Tourism;
- 2) Fire-fighting services;
- 3) Municipal airports;
- 4) Municipal planning;
- 5) Municipal public transport;
- 6) Cemeteries, funeral parlours and crematoria;
- 7) Refuse removals, refuse dumps and solid waste removals;
- 8) The establishment conducts and control of fresh produce markets and abattoirs; and
- 9) Municipal roads which form integral part of a road transport system for the area of the District Municipality as a whole.



## **SUMMARY OF ANNUAL REPORT LEGISLATIVE FRAMEWORK**

### **INTRODUCTION**

In terms of section 121(1) of the MFMA, every municipality and every municipality must for each financial year prepare an annual report. In terms of section 127(2) of the MFMA, the Mayor of the Municipality must, within seven months after the end of a financial year, table in the municipal council the annual report of the municipality and of any municipal entity under the Municipality's sole or shared control.

The following legislative requirements have been complied with:

#### **MFMA Requirements**

##### **The Annual Financial Statement of the Municipality {section 121(3)(a)}**

See Chapter 6

##### **The Auditor-General's Report {section 121(3)(b)}**

See Chapter 7

##### **The Annual Performance Report {section 121(3)(c') and section 121(3) (d)}**

See 90

##### **An assessment of the arrears on Municipal charges {section 121 (e)}**

The analysis and the assessment of the arrears on municipal charges had been made in the Annual Financial Statement under Trade and Other Receivables in Note 6 from page 27 to page 30 of Audited Annual Financial Statement. Such audited Annual Financial Statements have been included in the Annual in the Annual Report for tabling to the Council.

##### **Revenue Performance against the budget {section 121(3) (f)}**

The revenue performance has been made in form of Statement of Comparison between the budget and the actual amounts from page 08 to page 10 of the Annual Financial Statement (AFS). However it must be mentioned that the actual revenue collection has been very low due to the reason but not limited to the following:

- High number of indigents within the entire district;
- High number of unemployed within the district;
- Continuous none availability of water supply to the community within the district;
- Huge number of unmetered properties and illegal connection;

An assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 17 (3) (b) for revenue collection from each revenue source and for each vote in the municipality's approved budget for the relevant financial year.

Description	2014/15	Current Year 2015/16		
R Thousands	Audited Outcome	Original Budget	Adjusted Budget	Actual
<b>Financial Performance</b>				
Property rates	–	–	–	–
Service charges	32 562	48 063	34 398	23 334
Investment revenue	1 378	1 085	2 500	12 612
Transfers recognised - operational	237 422	284 387	288 142	299 771
Other own revenue	13 914	33 290	43 692	34 597
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>285 276</b>	<b>366 825</b>	<b>368 732</b>	<b>370 314</b>

#### **Other issues of importance in connection with the AFS {section 121 (3)(h)}**

##### **(a) Liquidity**

The municipality is in a positive state in terms of the liquidity as the current assets exceed the current liability.

The municipality can meet its financial obligations and it has an ability to turn other assets into cash to pay off liabilities and other current obligations.

##### **(b) Property, plant and equipment**

The property, plant and equipment has a huge amount of Work-in progress (WIP) which means that the capital projects are still running. Other capital projects will be completed in the outer years.

#### **Section 121 (3) (i) Any information as determined by municipality**

The municipality is wholly dependent on the government grant allocations through Division of Revenue Act (DORA) for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the UMkhanyakude District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

**Disclosures:-**Allocations from organ of state (section 123(1)(a))

Description	Dec-15	Current Year 2015/16		
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Actual
<b>RECEIPTS:</b>				
<b>Operating Transfers and Grants</b>				
<b>National Government:</b>	<b>232 002</b>	<b>283 287</b>	<b>287 042</b>	<b>276 396</b>
Local Government Equitable Share	226 252	265 376	265 376	265 376
Finance Management	1 250	1 250	1 250	1 250
Municipal Systems Improvement	934	940	940	940
Other transfers/grants [insert description]	3 566	15 721	19 476	8 830
<b>Provincial Government:</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>196</b>
Shared Service Grant		1 100	1 100	196

**Section 123 (1) (a) (ii) Allocations received from a municipal entity or another municipality**

The municipality has established a Development Agency called uMhlosinga Development Agency (UMDA). It is wholly owned by uMkhanyakude District Municipality. The Annual allocations are made to uMhlosinga Development Agency.

**Section 123 (1) (b) (i) Allocations made to a municipal entity or another municipality**

The allocation made the municipality to municipal entity (UMhlosinga Development Agent) R3 000 000

**Section 123 (1) (b) (ii) Allocations made to any other organ of state**

None

Section 123 (1) (c) Details of how the allocations that were received were spent per vote excluding EQS

Government Grant Allocation			
Funded by	Grant Description	Amount	Expenditure
National Treasury	MSIG	940 000	940 000
National Treasury	FMG	1 250 000	1 250 000
National Treasury	RHIG	4 000 000	3 999 498
Department of Public Works	EPWP	1 308 000	1 058 226

**Section 123 (1) (d) (i) The municipality has complied with allocation made to it by National Government**

YES

**Section 123 (1) (d) (ii) The municipality has complied with allocations made to it other than by National organs of state**

YES

**Section 123 (1) (e) Reasons for non-compliance with grant conditions referred to above**

N/A

**Section 123 (1) (f) Delays or withholding of funds ..... DoRA**

NONE

**Section 123 (1) (a) Reasons for delay or withholding of funds ... DoRA**

NONE

**Section 124 (1) (a) Salaries, allowances and benefits of political office-bearers and councillors of the municipality (financial and in-kind)**

<b>EMPLOYEE RELATED COSTS FOR THE MUNICIPALITY</b>	
Employee related cost	<b>132 791 556</b>
Remuneration of councillors	
Mayor	731 529
Deputy Mayor	590 118
Speaker	591 426
Executive Committee Members	1 672 597
Councillors	2 859 869
Total	<b>6 445 539</b>

***In-kind benefits***

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. The Mayor and the Speaker are provided with offices and secretarial support at the cost of the Council.

All Councillors are re-imbursed for kilometres travelled on official duties with the exception of the Mayor.

The Deputy Mayor and other Executive Committee Members each have an office and share secretarial support at the cost of the Council.

The Mayor has two full-time bodyguards and 1 relief bodyguard

**Section 124 (1) (b) Statement by the accounting officer that salaries, allowances and benefits are in accordance with the framework in s 219 of the Constitution**

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

**Section 124 (1) (c) Arrears owed by individual councillors to the municipality or its municipal entity for rates and services which were at any time during the year outstanding for more than 90 days.**

None

**Section 124 (1) (c) Salaries, allowances and benefits of the municipal manager, CFO and every senior manager**  
*See page 18*

**Section 125 (1) (a) List of all municipal entities under the shared or sole control of the municipality**  
***UMhlosinga Development Agency***

Section 125 (1) (b) Total amount of contributions to organised local government for the year and any outstanding amounts at year end [if the amount is “nil” indicate so]

Nil

**Section 125 (2) (c) Particulars of contingent liabilities at year end**

**Wage curve agreement**

The Municipality did not conduct the job evaluation as per the Wage curve agreement. As a result, the possible obligation as at 30 June 2016 could not be reliably estimated and provided for in the accounting records.

**Disciplinary matters**

As at 30 June 2016, the municipality had two (2) separate employee related pending disciplinary matters. The final outcome of the matter between the municipality and the Supply Chain Manager was pending whilst the decision in the matter between the municipality and the Chief Financial Officer was appealed. Should the outcome of both matters favour respective claimants, the municipality may be liable for compensation of up to R400 000.

**Disputes with service providers**

Letters of demand and summons in respect of amounts in dispute were received during the current financial year relating to goods and services rendered to the municipality in the past.

**Service providers versus UKDM**

The service provider has claimed that the municipality is liable for R2 200 000 relating to work performed on the Mpukonyoni CWSS project. The amount claimed was still in dispute as at 30 June 2016.

The service provider was appointed to implement emergency water and sanitation services including drilling, development and test boreholes. The amount claimed to the value of R117 269 was disputed by the municipality and was still in dispute as at 30 June 2016.

The service provider was appointed to undertake construction work at the Ndumo treatment plant. The budget on the project was subsequently exhausted. The amount claimed to the value of R1 000 000 was claimed which was disputed by the municipality.

A service provider was appointed to perform IT related services at the municipality. The amount claimed to the value of R16 150 was disputed by the municipality and was still in dispute as at 30 June 2016.

The service provider was appointed to perform bulk water maintenance in the region. The amount claimed to the value of R11 200 000 was disputed by the municipality and was still in dispute as at 30 June 2016.

The service provider was appointed as an insurance consultant to assist municipal employees with risk cover. Due to financial constraints the municipality was unable to continue providing the aforementioned benefit to employees. The amount claimed to the value of R8 000 000 was disputed by the municipality and was still in dispute as at 30 June 2016.

### Contingent assets

A claim was made by Umhlosinga Development Agency, the municipal entity, against the former chief financial officer for R705 167 in respect of payments made into another bank account. Case no. 98/02/2015 was opened and currently being investigated by the special commercial crimes unit. Recent negotiations with her attorney have given strong indications that the claim may be considered probable to be met in full in the near future.

Section 125 (2) (d) (i) The unauthorized and irregular Expenditure has been disclosed in the AFS per note

<b>Unauthorised expenditure</b>	
Opening	178 548 229
Current year	34 927 681
	<b>213 475 910</b>
<b>Fruitless and wasteful expenditure</b>	
Opening	8 329 553
Current year	642 008
	<b>8 971 561</b>
<b>Irregular expenditure</b>	
Opening	1 320 946 334
Current year	237 560 487
Amounts condoned	-1 659 352
	<b>1 556 847 469</b>

Section 125 (2) (d) (ii) The Forensic Investigation is underway with the assistance of Provincial Treasury (PT) to deal with issues.

None

### Municipal Systems Act Requirements

#### MSA s45 – Audited performance measures

*See Annual Performance Report on page 90*

**MSA s46 (1) (a) - (i) the municipality's, and any service provider's, performance during that financial year, also in comparison with targets of and with performance in the previous financial year;**

**MSA s46 (1) (a) – (ii) Current year's performance and targets as well as the prior year**

*See page 86*

**MSA s46 (1) (a) – (iii) Performance report measures that were taken or are to be taken to improve performance**

*See relevant column of Annual Performance Report on page 90*

**MSA s46 (1) (a) - Service delivery priorities and performance targets set for the next financial year**

*See page 79*

## EXECUTIVE SUMMARY

The process of compiling an annual report commenced in July 2016 when the District Municipality submitted Annual Financial Statements to Auditor General which was in terms of S 126(1) (a) of the MFMA. The preparation of the 2015/2016 annual report is informed by:

**Chapter 1:** This section gives an overview of uMkhanyakude District Municipality in terms of its spatial location, competitive advantages, and demographics.

**Chapter 2:** This chapter reflects on Municipal Governance.

**Chapter 3:** This chapter reflects on Service Delivery Performance in line with the IDP

**Chapter 4:** This chapter reflects on Organisational Development Performance.

**Chapter 5:** This chapter covers Financial Performance (AFS and liquidity ratios).

**Chapter 6:** This chapter presents Audited Consolidated Annual Financial Statements (Annexure A).

**Chapter 7:** This chapter presents Auditor General's Report (Attached as Annexure B).

### **Other Annexures:**

- Annexure C: reflects on the Audit Action Plan
- Annexure D: reflects on the Recovery Plan as the Municipality is under Section 139 (1) (b)
- Annexure E: reflects on the Annual Report for uMhloosinga Development Agency

The Annual Report is a reflection of Umkhanyakude District Municipality's performance in terms of:

- Municipal Transformation and Institutional Development
- Service Delivery and Infrastructure Investment
- Local Economic Development
- Municipal Financial Viability and Management
- Good Governance and Public Participation
- Cross Cutting Interventions

Most parts of this Annual Report quantified performance in all Key Performance Areas of the Municipality. This is further supported by Annual Financial Statements which have been audited and the findings of the audit are also contained in the report.





## CHAPTER 2: MUNICIPAL GOVERNANCE

The institutional structure of the municipality is divided into two levels, the Political and Administrative structures. The Administrative structure is accountable to the Political structure. The administration of the Municipality is structured according to the powers and functions allocated to municipalities as per Chapter 3 of the Municipal Systems Act and Regulations 32 of 2000. The Municipality is guided by the policies and procedures which are developed from National and Provincial guidelines and adopted by Council.

### 2.1 SECTION A: POLITICAL GOVERNANCE

The Council comprises 29 seats allocated according to proportional representation as per Schedule 2 (7) of the Local Government Municipal Structures Act and Regulations 117 of 1998 and representative of all Local Municipalities.

The Council is made up of the following political parties: Inkatha Freedom Party (10 Councilors), African National Congress (14 Councilors) and National Freedom Party (05 Councilors).

The principal structure of the municipality is Council which is chaired by the Speaker of Council, Councilor H. G. S. Mavimbela. The Executive Committee (EXCO) which is chaired by the Mayor of Council, Cllr. S. J. Vilane is the delegated political structure that deals with the day to day running of the Municipality and further reports its affairs to Council for noting and consideration depending on the matter in question.

To ensure effectiveness of oversight; council is further divided into various committees which are established in terms of Sections 79 and 80 of the Local Government: Municipal Structures Act (Act no 117 of 1998). These committees include:

No.	Committee	Relevant Section of the MSA	Chairperson
1.	Executive Committee	Section 80	Cllr S. J. Vilane
2.	Finance Portfolio Committee	Section 80	Cllr S. J. Vilane
3.	Corporate Governance Portfolio Committee	Section 80	Cllr S. H. Nxumalo
4.	Community Services Portfolio Committee	Section 80	Cllr C. G. Swartz
5.	Technical Services Portfolio Committee	Section 80	Cllr S. J. Vilane
6.	Planning & Econ Development Portfolio Committee	Section 80	Cllr S. H. Nxumalo
7.	Municipal Public Accounts Committee	Section 79	Cllr M. B. Sangweni

### REMUNERATION OF COUNCILLORS

DESIGNATION	AMOUNT
Mayor	R 563 040.00
Deputy Mayor	R 450 432.00
Speaker	R 450 432.00
Executive Committee	R 1 266 840.00
Councillors	R 1 454 933.00
Allowances	R 1 627 560.00
<b>TOTAL</b>	<b>R 5 813 237.00</b>

## 2.2 SECTION B: ADMINISTRATIVE GOVERNANCE

### ORGANISATIONAL STRUCTURE

In accordance with municipal legislation, UMkhanyakude District Municipality has developed an organizational structure which has been adopted by Council. The managerial structure has been developed in a manner that would enable the Municipality to deliver on its priorities and objectives, as set out in the Municipality's Integrated Development Plan. UMkhanyakude District Municipality consists of six departments, namely:

No.	Position	Appointment Status
1.	Municipal Manager	Filled until March 2016
2.	GM: Corporate Services	Filled
3.	Chief Financial Officer	Vacant (Acting incumbent)
4.	GM: Community Services	Filled
5.	GM: Technical Services	Vacant (Acting incumbent)
6.	GM: Planning & Economic Development	Vacant (Acting incumbent)

### SECTION 124 (1) (C): SALARIES, ALLOWANCES AND BENEFITS OF THE MUNICIPAL MANAGER, CHIEF FINANCIAL OFFICER AND OTHER SENIOR MANAGERS

REMUNERATION OF THE MUNICIPAL MANAGER	
Annual Remuneration	R 727 288.00
Contributions to UIF, Pension and Medical Aid	R 151 969.54
Travel, motor car, accommodation, subsistence and other allowances	R 331 822.00
<b>TOTAL</b>	<b>R 1 211 079.54</b>

REMUNERATION OF THE CHIEF FINANCIAL OFFICER	
Annual Remuneration	R 500 136.60
Contributions to UIF, Pension and Medical Aid	R 1 784.64
Travel, motor car, accommodation, subsistence and other allowances	R 619 216.70
Acting Allowance	None
Back pay	None
<b>TOTAL</b>	<b>R 1 121 137.94</b>

<b>REMUNERATION OF OTHER SENIOR MANAGERS</b>	<b>GM: CORPORATE SERVICES</b>	<b>GM: COMMUNITY SERVICES</b>	<b>GM: PLANNING &amp; ECONOMIC DEVELOPMENT</b>	<b>GM: TECHNICAL SERVICES</b>
Annual Remuneration	R 648 832.60	R 771 549.60	R 705 486.70	R 658 437.90
Contributions to UIF, Pension and Medical Aid	R 150 383.90	R 200 060.24	R 208 469.14	R 335 549.84
Travel, motor car, accommodation, subsistence and other allowances	R 325 765.00	R 203 047.92	R 269 110.80	R 237 073.80
Acting Allowance	R 25 921.05	None	None	None
Back pay	None	None	None	
<b>TOTAL</b>	<b>R 1 150 902.55</b>	<b>R 1 174 657.76</b>	<b>R 1 183 066.64</b>	<b>R 994 225.47</b>

**THE OFFICE OF THE MUNICIPAL MANAGER IS RESPONSIBLE FOR THE FOLLOWING FUNCTIONS:**

- Overall Administrative Management & Oversight
- Municipal Support functions
- Communications, Marketing and Branding
- Internal Audit & Risk Management
- Legal Services
- Research & Policy Development
- Intergovernmental Relations (IGR)
- Batho Pele Implementation & Monitoring

**THE CORPORATE SERVICES DIRECTORATE IS RESPONSIBLE FOR THE FOLLOWING FUNCTIONS:**

- Information Communication Technology
- Support Services (Administration, Auxiliary Services, Council Support, Facilities Management;
- Records and Information Management and Knowledge Management)
- Human Resources Management (Organizational Development, Recruitment and Selection,
- Employee Wellness and Occupational Safety, Career Development, Performance Management,
- Human Resources Development, Labour Relations and Batho Pele)

**THE FINANCIAL SERVICES DIRECTORATE IS RESPONSIBLE FOR THE FOLLOWING FUNCTIONS:**

- Budget and Treasury Management
- Supply Chain Management
- Revenue Management
- Expenditure Management
- Financial Control and Cash Management
- Accounting and Reporting

**THE TECHNICAL SERVICES DIRECTORATE IS RESPONSIBLE FOR THE FOLLOWING FUNCTIONS:**

- Municipal Infrastructure Planning, Funding, Maintenance and Development Management
- Electricity Distribution Management
- Water Distribution Management
- Sanitation Distribution Management
- Water Quality Monitoring
- Project Management Unit

**THE PLANNING & ECONOMIC DEVELOPMENT DIRECTORATE IS RESPONSIBLE FOR THE FOLLOWING FUNCTIONS:**

- Spatial Planning
- Land Use Management & Administration
- Geographical Information Systems (GIS)
- Environmental Planning & Management
- District-Wide Growth & Development Planning (DGDP)
- Secretariat to the District Development & Planning Commission (DDPC)
- Human Settlement Planning & Coordination
- Integrated Development Planning (IDP)
- Performance Management Systems (PMS)
- Local Economic Development (LED)
- Tourism Development & Marketing
- uMhloosinga Development Agency (UMDA)

## **THE COMMUNITY SERVICES DIRECTORATE IS RESPONSIBLE FOR THE FOLLOWING FUNCTIONS:**

- Fire Services
- Disaster Management
- Special Programmes
  - Youth & Sports Development & Support Programmes
  - People with Disabilities Development & Support Programmes
  - Elderly People Development & Support Programmes
  - Women Development & Support Programmes
  - HIV/AIDS Support Programmes
- Sector Development
- Environmental Health Planning & Management
- Protection Services
- Social Development

### **2.3 SECTION C: CORPORATE GOVERNANCE**

#### **Website Functionality**

- The municipal website is fully functional. The up-time is normally 99.9%. The Information Communication Unit comprises the Manager: Information Technology, the IT Officer and the IT Helpdesk. The personnel within this section has been trained on updating the Website. Administrator Username and Password have been created to administer the site.
- The information is supposed to be uploaded on the website on weekly basis and be authorized by the relevant Head of Department within which that function resides. A Web Interface has also been created.
- The municipal website has approximately 1000 visitors per month for both viewing and downloading of documents.
- Website uptime in the year 2015-2016 has been 99%.

## **The Impact of Section 139 (1) (b) for Umkhanyakude District Municipality**

### **Background**

- On 7 October 2015 the Provincial Executive resolved to intervene in Umkhanyakude District Municipality in terms of section 139(1)(b) of the constitution
- On 08 October 2015 the Minister and the NCOP were notified of the decision to intervene in line with section 139(2) of the constitution
- The NCOP Select Committee on Cooperative Governance and Traditional Affairs recommended the approval of the intervention on 16 February 2016 and attached the following conditions:
  - CoGTA should have an urgent bilateral with Umkhanyakude DM to address and manage the improper use and underspending of the conditional grant funding. A report in this regard should be forwarded to the NCOP, within 14 days after the adoption of this report by the NCOP.
  - The MEC should table quarterly reports to the NCOP and the Provincial Legislature on the status of the intervention in the municipality including the termination of the intervention.

### **Basis for Invoking Sec 139 at Umkhanyakude District Municipality**

#### **Governance and Institutional Matters**

- Issues related to functionality of committees and human resources management were not handled properly by the Municipality

#### **Financial Viability and Management**

- The entire financial management function was poorly handled by the Municipality and this was evident by a string of poor audit opinion in the previous financial years.

#### **Basic Service Delivery Failures**

- The Municipality performed badly in all aspects of basic service delivery.

#### **Back to Basics Support Plan**

- The municipality took too long to adopt their Back to Basics Support Plan. The assessment of the programme in the municipality as at end of quarter four (30 June 2015) showed that the municipality had to be re-categorised from being challenged to being a municipality requiring intervention.

#### **Labour Disputes**

- The municipality was experiencing persistent unprotected labour strikes due to the failure by management to address labour matters

## **Service Delivery Protests**

- All service delivery protests recorded by Cogta's Rapid Response Unit in municipalities within the Umkhanyakude family of municipalities during the period 1 January 2014 to 31 August 2015 were about water supply issues in the main.

The following Resolutions were then taken by the Provincial Executive Council:

### **Resolution (a)**

- Intervention in terms of section 139 (1)(b) of the constitution be implemented and Cogta assumes the functions specified in sections 51, 54a, 56 and 67(1)(h) of the municipal systems act and the District Municipal functions in terms of the Intergovernmental Framework Relations Act, 2005
  - Directed that a Recovery Plan aimed at securing the municipality's ability to meet its obligations to provide basic services or its financial commitments be imposed on the municipality, which Recovery Plan will
    - (i) be prepared in accordance with national legislation; and
    - (ii) binds the municipality in the exercise of its executive authority, but only to the extent necessary to solve the crisis in its financial affairs and service delivery failures
  - Mr B Ndwandwe (who was later on substituted by Mr M M Sithole) be appointed Ministerial Representative at Umkhanyakude District Municipality tasked with the preparation and implementation of the recovery plan and the following terms of reference:-
- Undertake all fiscal and financial management functions at the municipality including Budget and Treasury Office functions and powers provided for in Chapter 9 of the Municipal Finance Management Act, 53 of 2003 as amended as well as becoming a compulsory signatory on the municipality's bank accounts;

### **Resolution (b)**

- Ensure implementation of financial systems, policies and procedures
- Undertake all steps prescribed in sections 54A and 56 of the Municipal Systems Act, 2000 and associated regulations
- Undertake all functions listed in section 51 of the Municipal Systems Act 32 of 2000, as amended;
- Ensure the implementation of all governance systems and procedures, including oversight mechanisms; and the functionality of all Council structures, including the Local Labour Forum
- Ensure implementation of findings of any forensic investigations undertaken by the municipality, agency or the relevant MEC in terms of section 106 of the Municipal Systems Act, 2000 or any other relevant legislation;
- Undertake the functions referred to in section 67(1)(h) and Schedule 2 of the Municipal Systems Act, read with any other relevant legislative provisions dealing with disciplinary matters, including criminal and civil action;

**Resolution (c)**

- Ratify all decisions of the Municipal Council and its committees, prior to implementation;
  - Ratify all decisions taken by the Municipal Manager and section 56 Managers in terms of delegated or original authority;
  - Implement a system to control and approve all expenditure including a system to reduce and contain operating expenditure (cost curtailment);
  - Review the organizational structure of the municipality, and implement remedial actions which may be required;
  - Prepare and implement a strategy to deal with service delivery failures with particular focus on water and sanitation including a strategy to deal with service delivery protests;
  - Ensure the municipality complies with the requirements of the Intergovernmental Framework Relations Act, 2005.
- Endorsed the appointment of a financial expert to assist the Ministerial Representative in the implementation of the terms of reference including acting as Chief Financial Officer as may be necessary.

**Resolution (d)**

- Requested Provincial Treasury, Cogta and Department of Water Affairs and Sanitation to identify R40million required for the operations and maintenance (at Umkhanyakude DM) as a matter of urgency (Provincial Treasury made available R33m)
- Endorsed the interventions proposed by the Provincial Planning Commission especially to engage Umngeni Water Board to assist with a turnaround programme to ensure that people get water (urgently).

It must be noted though that what is contained in this write up is a summary of the initial arrangement that was made as a result of the decision by the Provincial Executive Council on the 07 October 2015. Since then a few changes have occurred with regards to deployees that were identified for providing support and it is anticipated that there will always be such changes. Necessary updates will be made and affected stakeholders will be notified accordingly of such changes.

A Recovery Plan has been developed with a view to addressing identified deficiencies in the administrative system of the Municipality. The Plan will also help in tracking progress made in achieving set goals.

At the end of 2015/2016 the intervention in terms of S 139 (1) (b) was still intact.



## CHAPTER 3: SERVICE DELIVERY PERFORMANCE HIGHLIGHTS

### 3.1 SECTION A: TECHNICAL SERVICES & INFRASTRUCTURE SERVICES PERFORMANCE HIGHLIGHTS

#### Water Services Context

The water services backlog was determined utilising a combination of Census 2011, the UKDM asset register, and verified data from consultants to produce a combined GIS infrastructure database that shows a backlog of 30% of the population (access below National Standard). This is a significant improvement from the Census 2011 backlog of 53%.

**UKDM Backlog - 2016**

Local Municipality	Population	Percentage of the population with access BELOW National standard level of water service			
		Census 2011 Level of Water Services	Asset Register Infrastructure Data	Verified Consultants Infrastructure Data	Combined Infrastructure Data
Umhlabuyalingana	155140	52.7%	50.6%	60.2%	28.5%
Jozini	185790	62.4%	67.4%	47.1%	42.3%
The Big 5 False Bay	35195	37.0%	28.2%	32.5%	20.7%
Hlabisa	71902	60.8%	48.7%	37.9%	36.4%
Mtubatuba	175359	44.0%	50.3%	28.9%	17.6%
uMkhanyakude	623387	53.2%	54.1%	43.3%	30.0%

Source: Draft DC27 WSDP 2016

Historically the area has been characterised by many small stand-alone schemes utilising local water resources; supplying to a basic level of service in rural areas, and a higher level of service in urban areas. The Shemula, Jozini, Hluhluwe, and Mtubatuba are the only areas currently served by large capacity water treatment works. The remainder of the DM is served by small conventional or package treatment works, or schemes with chlorination only. The number of schemes, and the accessibility to these, has resulted in management and maintenance challenges, with schemes regularly not functioning at an optimal level, in some cases falling into disrepair, and others simply not having power or diesel to operate the pumps. These challenges have led the municipality to investigate bulk supply scheme options to try and improve on the sustainability of supply, and reduce the O&M challenges. The possible solution to the water supply infrastructure in the future is the careful combination of local water resources (including groundwater) with bulk supply sources.

A basic calculation of the current WTW capacity (94.5MI per day) and the demand based on current level of service (59.7MI/day), shows there is sufficient treatment capacity at present. This capacity

excludes all boreholes that are utilised without a WTW, which provide significant additional water across the DM every day. The demand, however, takes into account only 15% water loss (good practice), and the current perceived need for additional treatment capacity is most likely due to high water losses. The previous lack of a water conservation water demand management strategy in the UKDM resulting in additional strain on the water resources, and the curtailment of losses should be viewed as a priority “water source” prior to the building of additional infrastructure capacity. As per the strategy of national government, expressed in the National Water Resource Management Strategy 2 (2014), the development of new water resource infrastructure will not be approved by the Department of Water and Sanitation, if WCWDM measures are not first implemented. Considering (1) the considerable problem with water losses; and (2) the large scale plans for water resource infrastructure development, the need for WCWDM interventions needs to be prioritised.

## Water Demand Model

In order to have the flexibility to determine water demands for different spatial groupings, such as scheme or supply footprints, a zero base demand model based on Census demographics (with an applied growth rate to get current figures) and levels of service (at smallest grouping) was adopted for the demand modelling. Although the demand model is based on the official Census data and agreed unit demands it is not a stochastic model, involving random demographic and unit demand sampling and probability behaviour. It also does not allow for level of confidence or degree of accuracy calculations of the Census data, growth rates, nor of the unit demand values adopted. The low and high results represent the extremes of what the predicted water demands could be. These are calculated in the model by using the extremes of the range of each data item in determining the results. No statistical probability or reliability measure can be attributed to these figures, except to say that all actual results should fall somewhere within this predicted range.

### Water Demand Summaries

Row Labels	Sum of Cur AADD(Rest LOS) Ave	Sum of Future AADD LOS 2020 Ave	Sum of Future AADD LOS 2025 Ave	Sum of Future LOS AADD 2030 Ave	Sum of Future AADD LOS 2040 Ave	Sum of Future AADD LOS 2035 Ave	Sum of Future HHI 2045 Ave
Hlabisa	5 228	8 867	9 498	10 759	15 099	13 363	18 571
Jozini	8 702	15 932	16 989	19 105	28 135	24 523	35 360
Mtubatuba	12 300	19 803	21 927	26 176	36 890	32 605	45 462
The Big 5 False Bay	5 762	7 814	8 503	9 880	11 578	10 899	12 936
Umhlabuyalingana	9 761	15 396	16 679	19 246	25 966	23 278	31 342
<b>Grand Total</b>	<b>41 752</b>	<b>67 811</b>	<b>73 596</b>	<b>85 166</b>	<b>117 669</b>	<b>104 668</b>	<b>143 671</b>

Row Labels	Sum of CurLOSSPD Ave rage	Sum of Future SPF LOS 2020 Ave	Sum of Future SPF LOS 2025 Ave	Sum of 2030LOS SPDAve	Sum of Future SPF LOS 2035 Ave	Sum of Future SPF LOS 2040 Ave	Sum of 2045HHI SPD Ave
Hlabisa	7 690	12 503	13 445	15 331	19 206	23 082	26 958
Jozini	11 883	20 847	22 476	25 733	34 008	42 283	50 559
Mtubatuba	18 152	28 286	31 404	37 641	46 962	56 283	65 604
The Big 5 False Bay	8 845	11 699	12 743	14 831	16 118	17 405	18 692
Umhlabuyalingana	13 142	19 281	21 635	26 344	32 320	38 297	44 274
<b>Grand Total</b>	<b>59 712</b>	<b>92 616</b>	<b>101 704</b>	<b>119 879</b>	<b>148 615</b>	<b>177 351</b>	<b>206 086</b>

Source: Draft DC27 WSDP 2016

The average annual average demand (AADD) for 2015 (current), at five (5) year intervals to 2045 at a local municipality grouping are shown in the first table below, the with Gross Summer Peak Demands in the second table above.

## Existing and Planned Infrastructure Capacity and Functional Evaluation

Deciding what footprint base to use to determine the demand; discuss or review the existing infrastructure or scheme capacities was found to be quite a challenge. Anomalies were found between the DWS Water Reconciliation Strategy footprints and the current distribution infrastructure. In addition, the level of detail in various infrastructure reports/GIS obtained from previous PSPs differed and subsequently was difficult to compare with one another.

The solution was to develop “Water Master Plan supply areas”, which are comprised of a larger supply area that simulate the seven (7) regional schemes aspired to by UKDM, bounded in instances by rivers, distance from source, topography; with smaller sub-schemes within those regional boundaries that are aligned with the existing infrastructure supply footprints and operational small schemes areas.

The six (6) water master plan supply areas are areas are Shemula, Jozini, Hluhluwe, Mpukunyoni, Mtubatuba, and Hlabisa. Water demands have been determined on sub-scheme level and the infrastructure evaluated at the same or sub-zone level. Sub-zones were defined for the specific purpose of reviewing bulk distribution main capacities, where the existing diameters were known and could be assessed.

The **Shemula WMP Supply Area** is divided into Shemula Eastern Sub-Supply Area and Shemula West and Central Sub-Supply Area.

Shemula Eastern Sub-Supply Area is divided into four (4) Sub-Schemes:

- Mshudu
- Thengani (Kwangwanase)
- Manguzi
- Enkanyezini

The Combined demographics and water demand for Mshudu, Thengane, Manguzi and Enkanyezini are:

- Total backlog of 9076 stands (ito Census 2011) that need to receive access to RDP supply
- Household growth of the combined eastern Shemula sub-schemes is from 11015 to 15069 households and a movement/migration of LOS as indicated achieving 25,8% YC supply by 2030.
- The capacity of the treatment works of 6,8Mℓ/day is sufficient for the current demand of 3,5Mℓ/day for 2015, or 4,52Mℓ/day with 50% losses
- The 20 year (2035) GSPD (Gross Summer Peak Demand) is 11 Mℓ/day.

The infrastructure capacity and upgrade requirements can be summarized as follows:

- The current WTW capacity is 6.8Mℓ/day. This is sufficient for the current demand of 3.5Mℓ/day. The demand will surpass the capacity by 2025 and will increase to 11Mℓ/day by 2035.
- The demand shortage can be addressed by utilising the Shemula Western and Central water Sub-Supply Area source.
- The demand from Shemula Western and Central Sub-Supply Area water source can be either 4Mℓ/day where the current Shemula Eastern region water sources are retained or 11Mℓ/day where the Shemula Eastern region water sources are discontinued.
- This will require an assessment of the bulk distribution from the Shemula Western and Central Sub-Supply Area.

The Shemula West and Central Sub-Supply Area is divided into six (6) Sub-Schemes:

- Manyiseni
- Ingwavuma
- Ndumo
- Embonisweni
- Phelandaba North
- Phelandaba South

The combined demographics and water demand for Manyiseni, Ndumo, Ingwavuma, Embonisweni, Phelandaba North and South are:

- Total of 14325 stands (ito Census 2111) that need to receive access to RDP supply
- Household growth of the sub-schemes combined is from 27057 to 31882 households and a movement/migration of LOS as indicated achieving 42% YC supply by 2030.
- The 20 year (2035) GSPD (Gross Summer Peak Demand) is 29 Ml/day.

The infrastructure capacity and upgrade requirements for Western and Central Shemula (Ingwavuma to Phelandaba) is summarized as follows:

- The current demand for the supply area is 11Mℓ/day
- The water treatment works has currently been upgraded and has a combined capacity to produce 27.5Mℓ/day and will therefore address the current demand shortfall.
- There is a shortfall of 1Mℓ/day for the projected 2035 demand
- The water treatment works will also supply the demand from Shemula Eastern Region. This will increase the demand of 28Mℓ/day to 32.7Mℓ/day if the Eastern Region current supply sources are retained or 39.5Mℓ if the sources are discontinued.

The **Jozini WMP Supply Area** is divided into Jozini Eastern Sub-Supply Area and Jozini West and Central Sub-Supply Area.

Jozini Eastern Sub-Supply Area is divided into seven (7) Sub-Schemes:

- ❖ Tshongwe Malobeni
- ❖ Othobothini
- ❖ Nondabuya
- ❖ Mjindini
- ❖ Jozini
- ❖ Mkuze
- ❖ Mhlekazi

The combined demographics and water demand for Jozini, Malobeni, Mjindi, Nondabuyo, Mkuze and Othobothini are:

- ❖ Total of 12 611 stands (ito Census 2011) that need to receive access to RDP supply
- ❖ Household growth of the sub-schemes combined is from 28 167 to 32 173 households and a movement/migration of LOS as indicated achieving 48% YC supply by 2030.
- ❖ The 20 year (2035) GSPD (Gross Summer Peak Demand) is 27 MI/day.

Jozini Eastern Sub-Supply Area is divided into two (2) Sub-Schemes:

- ❖ Mbazwana
- ❖ Mseleni

The Combined demographics and water demand for Mbazwana and Mseleni are:

- ❖ Total backlog of 3 010 stands (ito Census 2011) that need to receive access to RDP supply
- ❖ Household growth of the combined eastern Jozini sub-schemes is from 10 191 to 13 944 households and a movement/migration of LOS as indicated achieving 48% YC supply by 2030.
- ❖ The capacity of the treatment works of 2.98 MI/day is insufficient for the current demand of 7.77 MI/day for 2015.
- ❖ The 20 year (2035) GSPD (Gross Summer Peak Demand) is 7 MI/day.

The **Hlabisa Water Master Plan Supply Area** covers the Hlabisa Local Municipality. The demographics and water demand for the Hlabisa Water Master Plan Supply Area are:

- ❖ 6433 stands (from Census 2011) that need to receive access to RDP supply
- ❖ Household growth in the Hlabisa Scheme from 12075 to 15230 households and a movement/migration of LOS as indicated achieving 48% YC supply by 2030.
- ❖ The 20 year (2035) GSPD (Gross Summer Peak Demand) is 17.134 MI/day

The infrastructure capacity and upgrade requirements:

- ❖ in general, all components of the new Hlabisa scheme have been found to be sufficient for the present 2015, but upgrades are required for the future:
- ❖ Water registration needs to be increased to 2035 demand in conjunction with the Mandlakazi portion of the overall Hlabisa-Mandlakazi Scheme.
- ❖ An additional 8Mℓ WTW capacity would need to be provided for the 2035 demand for the Hlabisa portion.
- ❖ An additional 6Mℓ storage is required, the best location hereof would need to be investigated. Currently the available storage is at 18.5Mℓ, which we calculate to be that can be able to provide 37 hours storage for the ultimate design demand for 2035. We believe to be within acceptable capacity and the addition of storage will not be considered for further as part of this master plan, however, it should be considered during studies to be done in the future.

The **Hluhluwe Water Master Plan Supply Area** covers the Mtubatuba, Big Five - Hlabisa Local Municipalities. The supply area is divided into the sub-schemes that are served from the Hluhluwe 1 WTW at the Hluhluwe Dam, and the sub-schemes supplied by the Hluhluwe 2 WTW downstream of the Hluhluwe Dam.

Hluhluwe 1 WTW schemes:

- Hluhluwe Phase 1
- Hluhluwe Farms
- Hluhluwe Town
- Hluhluwe Phase 3

The demographics and water demand for the area supplied by the Hluhluwe 1 WTW are:

- Total of 3225 stands (ito Census 2011) that need to receive access to RDP supply
- Household growth year 2015 to 2045 of the sub-schemes combined is from 15295 to 22353 households and a movement/migration of LOS as indicated achieving 48% YC supply by 2030.
- The 20 year (2035) GSPD (Gross Summer Peak Demand) is 27 Mℓ/day.

The infrastructure capacity and upgrade requirements can be summarized as follows:

- Water registration needs to be increased to 2035 demand
- An additional 17Mℓ/day WTW capacity would need to be provided
- 30Mℓ additional storage is required, the best location hereof would need to be investigated
- The bulk line to Town and Phase 3 needs to be upgraded to 600mm diameter.
- The bulk line from Phase 1 needs to be upgraded to 315mm diameter.
- The bulk main from Town to Phase 3 needs to be upgraded to a 500mm diameter.

Hluhluwe 2 WTW schemes:

- Hluhluwe Phase 2
- Hluhluwe Phase 4

The demographics and water demand for the area supplied by the Hluhluwe 2 WTW are:

- Total of 4587 stands (ito Census 2011) that need to receive access to RDP supply
- Household growth from year 2015 to 2045 the sub-schemes combined is from 13083 to 22332 households and a movement/migration of LOS as indicated achieving 48% YC supply by 2030.
- The 20 year (2035) GSPD (Gross Summer Peak Demand) is 24 MI/day.

The infrastructure capacity and upgrade requirements can be summarized as follows:

- Water registration needs to be increased to 2035 demand
- An additional 20 MI/day WTW capacity would need to be provided
- 27MI additional storage is required, the best location hereof would need to be investigated
- The bulk line from Hluhluwe 2 WTW to Phase 2 needs to be upgraded to 500mm diameter.

The **Mtubatuba Water Supply Scheme** covers the towns of Mtubatuba and St Lucia. The demographics and water demands for the Mtubatuba Supply area:

- Total of 2689 stands that need to receive access to RDP supply(Census 2011)
- Household growth year 2015 to 2045 is from 12171 to 20628 households and a movement/migration of LOS as indicated achieving 48% YC supply by 2030.
- The 20 year (2035) GSPD (Gross Summer Peak Demand) is 18.4 MI/day

The infrastructure capacity and upgrade requirements can be summarized as follows:

- the WTW and storage available is adequate for the ultimate demands at 2035,
- the abstraction licence needs to be increased to cater for the additional future demands.
- distribution upgrades required are:
  - 400mm dimeter 3 km bulk to kwaMsane.
  - 600mm diameter upgrade from Mtubatuba to Monzi Reservoir
  - 250mm diameter 6 km bulk from Monzi Reservoir to Kula Village.
  - 100 mm dimeter 7 km main to Monzi SP Elevated tank.

The **Mpukunyoni Water Supply Scheme** is a large scheme in the western side of Mtubatuba Local Municipality. The demographics and water demands for the Mpukunyoni Supply area are summarised as follows:

- Total of 5832 stands that need to receive access to RDP supply(Census 2011)
- Household growth year 2015 to 2045 is from 10815 to 18465 households and a movement/migration of LOS as indicated achieving 48% YC supply by 2030.
- The 20 year (2035) GSPD (Gross Summer Peak Demand) is 21.2 MI/day.

The infrastructure capacity and upgrade requirements can be summarized as follows:

- The Water registration needs to be increased to 2035 demand.
- An additional 16ML/day WTW capacity would need to be provided.
- An additional 15ML storage is required,
- Focus must be on the water conservation and water demand management measures
- Distribution upgrades required are:
  - 500mm diameter 12 km bulk to Dolombo Reservoir.
  - The main supplying uThungulu DM is not known, however, from our calculation, a 250mm diameter main is required

## **Infrastructure Project Development**

All projects have been prioritised using a combination of weighting criteria - Strategic Importance; Extent of Cost Ratio; Per Capita Consumption (l/capita/day); Non-Revenue Water; Functional Criticality of Scheme; Institutional Capacity; Available Co-funding; and Implementation Readiness. Furthermore, the location of the project was evaluated by identifying 1) the associated per capita cost, 2) the percentage of people who are currently unserved within that project footprint, and finally the per capita daily demand (ℓ/c/d). A high per capita daily demand would signal a large number of households who currently have a reasonably high level of service and are therefore less of a priority than areas which are completely unserved.

## **Highlights of Service Delivery Implementation from 2011 to 2016**

### **Umhlabuyalingana Municipality**

#### **uMhlabuyalingana Water**

- Upgrading the Shemula Water Treatment plant to benefit 62 700 households in Jozini and uMhlabuyalingana
- Implementation of the eNkanyezini Water Scheme to benefit 3070 households
- 3 Water tankers provided to service uMhlabuyalingana

#### **Borehole Programmes**

- 15 boreholes were equipped under drought relief at Oqondweni, Mtanenkosi, Manzibomvu, Sphahleni, Mphakathini, Ntshongwe, Othungwini, Mahlakwe, Mbubeni, KwaMboma, Ndalini, Sicabazini, Sihangwane, Bhekabantu, Bunganeni



## uMhlabuyalingana Capital Projects

Project Name	Category	2016/17	2017/18	2018/19
Manguzi Star of the Sea	Water	R 8 000 000,00	R 10 000 000.00	R 15 000 000,00
KwaZibi Water Project	Water	R 24 999 903.00	R 15 000 000,00	R 24 000 000,00
Greater Mseleni Water Supply Scheme	Water	R 3 000 000.00	R 15 000 000,00	R 15 000 000,00
Mabibi Scheme Refurbishment	Water	R2 731 000.00	R0,00	R0,00
Refurbishment of Manguzi WWTW	Sanitation	R 8 000 000	R0,00	R0,00

## Jozini Municipality

### Jozini Water

- Upgrading the Shemula Water Treatment plant to benefit 62 700 households in Jozini and uMhlabuyalingana
- Implementing the Jozini Bulk Regional Scheme (40 MI/day) to benefit 50 200 households in Jozini, uMhlabuyalingana and Big Five
- Implementing KwaJobe Community Water Scheme to benefit 3062 households
- Upgrading of Mkuze Treatment Works to 5MI/day to benefit 1362 households.
- Refurbishment of Machibini water scheme
- 5 Water Tankers were provided to Jozini local municipality

### Borehole Programmes

- 5 boreholes were equipped under drought relief at Kwa Dinabanye Kumkhamu, Nhlabende, Kings Palace, Madinyana and Khume
- 17 boreholes drilled at Mambuzikazi, Lindizwe Okholweni (Sandile ), Ezimambeni Ward 15, Ezimambeni Ward 15 ,Pangani Khume, Khume Sola, Manganini A, Manganini C , Manganini B, Kwagiba, Mangayini D, Mambuzikazi, Lindizwe Okholweni,

### Sanitation

- 6254 households have benefitted under the Ingwavuma Sanitation Project (Wards 9,10,11,12,13,14,15,17,18,19)
- 2009 households have benefitted under the Jozini Rural Household Project (Wards 3,4, 20)

## Jozini Capital Projects

Project Name	Category	2016/17	2017/18	2018/19
KwaJobe Community Water Supply Scheme(Nthongwe/Malobeni)	Water	R 13 000 000,00	R 15 000 000.00	R 20 000 000.00
Refurbishment of Mkuze - Ubombo water scheme	Water	R2 000 000.00	R6 561 400.00	R0,00
Jozini Regional Community Water Supply Scheme Phase 1A	Water	R 15 000 000.00	R 15 000 000.00	R 20 000 000.00
Shemula Water Supply Scheme - Shemula to Ingwavuma Upgrade	Water	R0,00	R 15 000 000,00	R 9 500 000,00
Mkuze WTW Upgrade and Refurbishment	Water	R14 063 809.51	R0,00	R0,00
Jozini- Ingwavuma Reticulation Project	Water	R0,00	R 5 000 000,00	R 10 000 000,00
Mhlekaazi CWSS	Water	R5 500 000	R5 000 000.00	R 10 000 000,00
Rehabilitation of existing Jozini Scheme	Water	R3 146 416.00	R0,00	R0,00
Rehabilitation of existing Shemula Scheme	Water	R5 000 000.00	R10 000 000.00	R10 736 880.00
Greater Ingwavuma Phase 2	Water	R0,00	R10 000 000.00	R15 000 000.00
Nondabuya CWSS Upgrade	Water	R 1 500 000,00	R 5 250 000.00	R 8 750 000,00
Ingwavuma Boreholes (Drought)	Water	R3 497 135.00	R0,00	R0,00
Ingwavuma Interim Water Supply	Water	R19 345 668,00	R2 830 653	R0,00
Ingwavuma Sanitation	Sanitation	R 26 288 628,15	R 13 328 550,00	R 15 417 443,60
Thembaletu Sanitation Project	Sanitation	R 7 000 000.00	R 10 000 000,00	R15 000 000.00
Jozini Low Cost Housing Sewer Upgrade	Sanitation	R 3 000 000,00	R 15 000 000,00	R 15 000 000,00
Jozini RHIG Sanitation Project	Sanitation	R4 000 000.00	R 4 500 000.00	R5 000 000.00
Jozini-Ingwavuma Bulk Water Supply (RBIG)	Water	R47 000 000,00	R0,00	R0,00
Jozini – Ingwavuma Reticulation	Water	R 4 000 000,00	R 5 000 000,00	R 10 000 000,00
Refurbishment of Ingwavuma WWTW	Sanitation	R66 000 000	R0,00	R0,00

## **The Big Five Hlabisa Municipality**

### **Water**

- Implementing the Hlabisa Mandlakazi Bulk Water Project to benefit 9619 households
- Upgraded the Hluhluwe dam Water Treatment Upgrade from 2MI/day to 10MI/day plant which provides water to 34 000 people.
- 4 Water tankers were allocated for the use of Big Five

### **Borehole drilling programme 2014/15**

- 3 boreholes equipped under drought relief at Mnqobokazi, Nibela, Hluhluwe Farms
- 19 boreholes equipped in Hlabisa at Nonpondo, Macabuzela, Makhowe , Ezibayeni, Ngodini, Ekuphindisweni, Magengebula, Qunwani, eMthekwini, Sqiwini, Gula, Ophaphasi, Ntabenkoni, Mpempeni, Magengula, Ngodini, Mzinene, Madulini, Matshamhlope
- 4 boreholes were drilled with uMgeni Water at Mnqobokazi, Bangizwe, Qomkuphila, kwaGiba

### **The Big 5 Hlabisa Capital Projects**

<b>Project Name</b>	<b>Category</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
<b>Refurbishment of Hluhluwe WWTW</b>	<b>Sanitation</b>	R10 448 642	R0,00	R0,00
<b>Hlabisa Mandlakazi</b>	<b>Water</b>	R15 000 000	R11 579 817.78	R0,00
<b>Hluhluwe Phase 1 Upgrade</b>	<b>Water</b>	R2 000 000	R4 946 784.00	R0,00
<b>Augmentation of Hluhluwe Waste Water Treatment Works and New Sewer Network</b>	<b>Sanitation</b>	R0,00	25 000 000	R30 000 000
<b>Refurbishment of Hluhluwe WWTW</b>	<b>Sanitation</b>	R6 000 000	R0,00	R0,00

## **Mtubatuba Municipality**

### **Mtubatuba Water**

- Dukuduku Resettlement Project - Water Supply Project implemented to benefit 170 463 people
- Implementing the Hluhluwe Phase 4 project 34 000 people benefited in the Mpukunyoni area
- 5 boreholes drilled by uMgeni at KwaMsane, Nordale, Mtubatuba library, St Lucia
- 8 boreholes equipped under the drought relief programme at Mapheleni, Madwaleni, Nkodibe, kwaMshaya, Nkombose (old Pit Site), Ophaphasi (old BH Site), eBaaswazini, Nkundusi
- Installation of wells at uMfolozi
- 3 Water truck tankers provided to Mtubatuba

### **Sanitation**

- 9712 households have benefitted under the Mtubatuba Sanitation Project

## Mtubatuba Capital Projects

Project Name	Category	2016/17	2017/18	2018/19
Du`kuduku Resettlement Project	Water	R 15 247 000	R 13 213 420,00	R 11 786 580,00
Mpukunyoni Water Scheme Upgrade /Remedial	Water	R 8 000 000.00	R 12 661 765.00	R0,00
Nkolokhoto Treatment Works Upgrade	Water	R0,00	R 5 500 000,00	R 4 500 000,00
Hluhluwe Phase 2 Upgrade	Water	R5 270 005.00	R0,00	R0,00
Bhoboza to KwaMsane Gravity Main Project	Water	R 3 912 792.00	R0,00	R0,00
Mtubatuba Emergency – Wellpoint installation	Water	R 2 229 112.00	R0,00	R0,00
Mtubatuba Sanitation	Sanitation	R 13 000 000.00	R 15 000 000	R 15 000 000
Nkunduzi Interim Water Supply	Water	R 2 687 127,00	R0,00	R0,00

## District-Wide Programmes

Project Name	Category	2016/17	2017/18	2018/19
WSDP Development	Water & Sanitation	R3 000 000	R0,00	R0,00
Borehole Development Phase 2	Water	R5 323 504	R0,00	R0,00
Borehole Development Phase 3	Water	R8 328 000	R0,00	R0,00
Borehole Development Phase 6	Water	R10 000 000	R 17 537 9120	R30 000 000
Rehabilitation of existing Shemula Scheme	Water	R5 000 000	R10 000 000	R10 736 880
Refurbishment & Upgrade of WWTW	Sanitation	R8 000 000	R10 000 000	R8 000 000
WCWDM Programme within uMkhanyakude	Water	R 34 026 630,49	R 15 000 000,00	R 25 000 000,00

### 3.8.4.6 Current Status of Capital Projects Implementation

#### RBIG Programme – Umhlathuze Water

Project Name	Budget 2015/16	Expenditure to date	Progress to date
<b>Jozini to Ingwavuma Regional Bulk Water Scheme</b>	R290m	R 262 668 571.00	<ul style="list-style-type: none"> <li>• Raw water pipeline - 98%</li> <li>• Water Treatment Works - 85 % Estimated Hand Over 30 June 2016</li> <li>• Construction Of Gravity Mains, Reservoirs, And A Pump Station To Supply Zone 8, 11, &amp; 12 - 15%</li> <li>• Installation of bulk pipeline and construction of 500kl reinforced concrete reservoirs at mfithi - 51%</li> <li>• Bulk pipeline and construction of 500kl reinforced concrete reservoirs at Nongoma and kwaBheka – 50%</li> <li>• Construction Of Portable Water Pipeline From Jozini Local Reservoir To The Pongola River – 2%</li> <li>• Construction Of 16,5ml Reservoir And Associated Pipework At Jozini Local Reservoir Site – 2%</li> </ul>
<b>Construction Of 800mm Diameter – 2.6km Mtubatuba Steel Pipeline</b>	R15m	R 15 031 656.77	The contractor is almost complete with all the works with the exception of the road crossing. Progress is at 90%
<b>Hlabisa Bulk Supply</b>	R8m	R 6 000 000.00	The project is complete with only commissioning outstanding. It is outstanding due water shortage coming from Mandlakazi.
<b>Hluhluwe phase 4 water supply</b>	R22.5m	R0	Waiting for the signing of the funding agreement

Project Name	Revised budget	Expenditure to date	Progress to date
Hlabisa Mandlakazi	R 29,692,869.00	R 23,532,540.39	<ul style="list-style-type: none"> <li>• Five contractors were appointed to do this project, and were Dee Dee Enterprise, Ziqoqe Construction, Makhathini Projects, Magedla Construction and MKT Construction.</li> <li>• A non-performance certificate was issued to Ziqoqe Construction and MKT Construction due to non-performance</li> <li>• Magedla Construction and Makhathini Projects are the only contractors on site to date, and their work is due for completion at the end of May 2016. Progress to date is 91%</li> </ul>
<b>Hluhluwe Water Supply Phase 1</b>	R 2,966,580.00	R 2,831,253.35	<ul style="list-style-type: none"> <li>• The contractor's progress on site has been notably very slow. The contractor has been given a programme to follow up to the end of May 2016 to complete the works,</li> </ul>
<b>Ingwavuma VIP Sanitation</b>	R 22,899,000.00	R31,494,787.14	<ul style="list-style-type: none"> <li>• The contractor is progressing very well, progress is 58%, due for completion June 2017</li> <li>• 9712 Beneficiaries to date</li> <li>• 1004 Beneficiaries this F/Y in Jozini Wards 9,10,11,12,13,14,15,17,18,19</li> </ul>
<b>Jozini Regional CWSS</b>	R 20,500,000.00	R 11,788,537.24	<ul style="list-style-type: none"> <li>• Progress is 5% to date. The contractor has already established on site and construction has commenced.</li> <li>• 5250 households to benefit in Jozini Ward 7</li> </ul>
<b>Kwajobe Community Water Scheme (Ntshongwe Malobeni)</b>	R 3,000,000.00	R 1,160,016.39	<ul style="list-style-type: none"> <li>• Phase 2 – 100% Ward 4 benefitting</li> <li>• Phase 3 – On Procurement. tender closed on 01 April 2016. ( Ward 4, 3 to benefit)</li> <li>• Umgeni Water has been given the document to price for ward 5 refurbishments.</li> </ul>
<b>Manguzi Star of the Sea Water Scheme</b>	R 8,269,108.00	R 4,817,811.93	<ul style="list-style-type: none"> <li>• Priced Bill of Quantities has been agreed with Umgeni Water for resuscitating water supply to 10 boreholes supplying water to Thengani, Mshudu, Airfield.</li> <li>• MOA between UKDM and Umgeni Water is being finalized.</li> </ul>

Project Name	Revised budget	Expenditure to date	Progress to date
<b>Mkuze water Treatment upgrade &amp; Refurbishment</b>	R 13,000,000.00	R 14,088,407.90	<ul style="list-style-type: none"> <li>Contractor's progress to date is 24%.</li> </ul>
<b>Mpukunyoni CWSS</b>	R 3,000,000.00	R 6, 132 ,196 .36 -	<ul style="list-style-type: none"> <li>AFA has just been approved for the construction of KwaMshaya and Phaphasi Reservoirs.</li> <li>The contractor was requested to commence with the project on site after the approval of funds, but raised concerns that the appointment was issued 21 months ago. Escalation cost has been offered to him, but he has rejected them, and put a legal letter which the experts are preparing a response.</li> </ul>
<b>Mtubatuba sanitation</b>	R 24,108,420.00	R 19, 020, 789.67	<ul style="list-style-type: none"> <li>12140 households to benefit</li> <li>6254 Beneficiaries to date</li> <li>1322 Beneficiaries this F/Y in Wards 9,10,11,12,13,16,19</li> <li>The project is 94% completed, and progressing very well. The challenges that the project is continuously experiencing, are late payments by UKDM</li> </ul>
<b>Shemula water upgrade</b>	R 15,000,000.00	R 17 ,167, 293.08	<ul style="list-style-type: none"> <li>Phase 1 Water Treatment Works – Complete (30 000 people have access to water)</li> <li>Phase 2A ( Link to Ndumo) – Tenders Closed and are under evaluation</li> </ul>
<b>Thembaletu Sanitation</b>	R 5,736,073.00	R 4,146,487.79	<ul style="list-style-type: none"> <li>Progress 80%</li> <li>Urban renewal – Discussions with uMgeni underway</li> </ul>
<b>WCWDM Programme within Umkhanyakude DM</b>	R 50,048,025.78	R 49,866,191.33 -	<ul style="list-style-type: none"> <li>Service Provider Appointed. They have site established on site on Monday 04 April 2016. The delivery of 6000 domestic water meters has been done. They are busy doing verification of bulk water meters and also analysing the system. Progress is 10%, the allocated budget of R50 048 025,78 this financial year will all be spent on 30 June 2016</li> </ul>

Project Name	Revised budget	Expenditure to date	Progress to date
<b>Refurbishment &amp; Upgrades of WWTW and sewer networks</b>	R 13,000,000.00	R -	<ul style="list-style-type: none"> <li>Umgeni Water was given a tender document for pricing for the rehabilitation of Jozini sewers</li> </ul>
<b>Ingwavuma Boreholes (Drought)</b>	R 5,497,135.00	R -	<ul style="list-style-type: none"> <li>Umgeni Water has been given the document to price, and also the MOA between UKDM and Umgeni Water is being finalized</li> </ul>
<b>Hluhluwe Water Phase2 Upgrade</b>	R 5,270,005.00	R3,589,281.93	<ul style="list-style-type: none"> <li>65% completion</li> </ul>

### Section 32 was effected to speed up the Water Meter Programme

The Following Business plans have been submitted to DWS to absorb work done by uMgeni:

- Shemula Refurbishment Programme - R27 236 880
- Bethesda – uBombo Refurbishment R8 561 400
- Borehole Refurbishment Programme – R25 000 000
- Jozini Refurbishment Programme - R 5,146,416.00

#### 3.8.4.7 Drought Relief Programme

Project Description	Approved Budget	Progress	Target No of Households to be served
Ingwavuma Drought relief • Development of 4 boreholes (KZN 140150, 140155, 140154 & 140148);	5,497,135	Construction - 0% Contractor award was "disputed" by Provincial Treasury resulting in stoppage of the project. The project has been moved to MIG.	1819
Bulk pipeline Mtubatuba to KwaMsane A new gravity main from existing Mtubatuba Heights reservoir to the existing KwaMsane reservoirs (DN300, 2.5km long steel pipe.	22,766,508	Construction progress to date - 78%	3368
Hluhluwe Phase 2 Upgrade Upgrading the Hluhluwe phase 2 WTW from a 1.8ML/d to a 3.8ML/d package treatment plant,	13,177,327	Construction - 60%. Expected end date 30 May 2016	5250



## Drought Relief Programme...

Project Description	Approved Budget	Progress	Target No of Households to be served
<p>Phase 4: Mtubatuba Emergency Drought Relief</p> <ul style="list-style-type: none"> <li>• Siting, Drilling and testing of a single borehole near Mtubatuba WTW, four boreholes at Kwa Msane reservoir and one borehole at the St Lucia ( total new boreholes is 6)</li> <li>• Refurbishment of 4 existing boreholes and the line feeding the Mtubatuba WTW.</li> <li>• Construction of a well system to improve water intake to the Mtubatuba WTW.</li> </ul>	10,305,857	<p>Equipping of Boreholes</p> <p>a) 4 existing boreholes have been equipped and commissioned and</p> <p>b) Pump at the lake adjacent to Mtubatuba WTW has been installed</p> <p>c) One new borehole equipped</p> <p>d) 3 boreholes were drilled and equipped at KwaMsane</p> <p>e) Well dewatering</p> <p>Construction 60%</p> <p>Expected end date 30 April 2016.</p> <p>Remedial work at the treatment works pipework for wells installed.</p>	29931
Borehole Drilling	17,101,900	<p><b>Jozini LM:</b></p> <p>Drilling complete – 11/15 successful boreholes, 4/15 dry. 5 boreholes equipped. 6 Still need to be attached, however they have water quality issues. Suggest installation for animal drinking water pending client approval</p> <p><b>Mtubatuba:</b></p> <p>14/14 successful boreholes drilled, 1/14 with seepage (Dry). Equipping in progress</p> <p><b>Hlabisa :</b></p> <p>Drilling complete -25/25 successful boreholes drilled, 4/25 dry.</p> <p><b>Big 5:</b></p> <p>(4/4 boreholes) completed. 3 are equipped and commissioned</p> <p><b>uMhlabuyalingana</b></p> <p>16 Drilled</p> <p>16 have been equipped and commissioned.</p>	2,821

## Drought Relief Programme Expenditure

Sub Projects	Budget	Amount Invoiced	Amount Paid	Expenditure	% Expenditure
Boreholes	17,101,900.00	10,632,083.82	9,481,959.23	10,632,083.82	62%
Refurbishments and Upgrades	51,746,827.00	28,790,764.72	24,658,569.12	27,999,546.27	54%
Water Tanks	2,000,000.00	1,834,948.82	1,729,185.97	1,729,185.97	86%
Water Tanker Procurement	22,311,396.00	22,311,396.00	22,311,396.00	22,311,396.00	100%
Phase 2 Interim Water Tankering	19,651,272.00	18,130,998.66	14,599,414.45	15,305,927.86	78%
<b>Total</b>	<b>112,811,395.00</b>	<b>81,700,192.02</b>	<b>72,780,524.77</b>	<b>77,978,139.92</b>	<b>69%</b>

## **3.2 SECTION B: PLANNING AND ECONOMIC DEVELOPMENT (PED) SERVICES PERFORMANCE HIGHLIGHTS**

### **3.2.1 UMKHANYAKUDE DISTRICT DEVELOPMENT PLANNING SHARED SERVICES**

#### **Development Planning Services Programme (DPS)**

Under the reporting period the Development Planning Services was strategically responsible for the overall facilitation, coordination, implementation, management and monitoring of the following core functional areas as well as Performance Highlights presented below according to each core function. A table under each core function is provided indicating broad challenges that was facing the section under reporting period. Similarly a suit of possible recommendations to the identified challenges is included in the same table.

#### **Development Planning Services**

##### **Key Performance Areas (KPA's):**

- Cross-Cutting Issues
- Institutional Development & Public Participation

##### **Core Functions & Services**

- Spatial Planning
- Land Use Management & Administration
- Geographical Information System (GIS)
- Human Settlement Planning & Coordination
- Integrated Transport Planning
- Environmental Planning & Management
- Building Inspectorate and Control
- District Development Planning Services Governance & Coordination (i.e. District Development Planners Forum)
- District Environmental Planning & Management Governance & Coordination (i.e. District Environmental Planning & Management Forum)

#### **THE 2015/2016 DEVELOPMENT PLANNING SERVICES PERFORMANCE HIGHLIGHTS:**

- Successfully ensured the Review and adoption of the District-Wide Spatial Development Framework (SDF) 2015/2016;
- Supported and Coordinated the Review & Adoption of Spatial Development Frameworks (SDFs) 2015/2016 FY of Family of Municipalities,
- Participated in the Implementation of the Provincial Formalization Programme of Manguzi, Mbazwane, Hlabisa, Big 5 False Bay, Jozini Towns
- Represented uMkhanyakude in the Implementation of the iNkululeko Development Projects – Ndumo
- Coordinated and supported the preparation of the six (6) Jozini Municipal Nodal Schemes of Ndumo, Ingwavuma, Mkhuze, Jozini, Bhambanana, & uBombo.
- Participated on the Implementation of the KZN-Cogta-Funded Jozini Town Expansion Project

- Participated in the preparation of Mkhuze Nodal Plan/Urban Design Framework Plan Initiated and Managed by uMhlosinga Development Agency.
- Supported and coordinated the processing of Planning & Development Act (PDA) development applications throughout the District and submitted 4 quarterly PDA Register reports to Council for consideration.
- Represented the District in all KZN Provincial Planning Law Forum Meetings.
- Represented the District in all Provincial Geographical Information (GIS) Technical Forum Meetings.
- Represented the District in GISSA-KZN AGM's and served as a member.
- Provided Mapping Services to the District and its Local Municipalities
- Coordinating the implementation of Geographic Information Systems throughout the District by providing support with data, assist in procuring GIS Infrastructure such as Software, Hardware.
- Facilitated the Marketing of GIS Services by Developing Marketing Materials such as posters, base maps for the District and Local Municipalities.
- Managed and maintained District Database by ensuring cleanliness of datasets through capturing, sourcing new information and removing outdated information in the system
- Represented the District in all the Provincial Environmental Management & Coordinating Committee (PEMCC) Meetings
- Coordinated and Managed the functioning of the District-Wide Development Planners Forum by staging at least six (6) Forum Meetings.
- Successfully Managed the Development Planning Shared Services (DPSS) facility.
- Successfully Compiled the revised District-Wide DPSS Business Plan for 2015- 2016
- Facilitate and Compilation of DPSS Monthly Reports and submitted to COGTA especially Grant reports.
- Coordinated SPLUMA Implementation within the District in partnership with LMs;
- Contributed in the Annual Review and Adoption of 2015/2016 FY District and Local Municipal Integrated Development Plans (IDPs) by 30 June 2016.
- On an ongoing basis continued to provide development planning input, support and advise in various sector-specific forums and platforms as and when required such as follows: Local Municipal Housing Forums, LED Forums, Tourism Forum, Infrastructure Forum, Waste Management Forum; IDP Representative Forum (RF); Etc.....
- Facilitated the establishment and functioning of the District-Wide Environmental Planning & Management Forum;
- Facilitated for appointment of the Environmental Planning Officer;
- Participated & Contributed in the Annual Review of the Human Settlement Plans as well as the functioning of the Human Settlement Forums for Family of municipalities.
- Participated in the Traditional Master Planning Project in partnership with COGTA and Sector Departments.
- Participated in the Umkhanyakude Water Master Planning Project by uMhlathuze Water in conjunction with uMkhanyakude District and Sector Departments.
- Coordinated and facilitated the 2015/2016 FY Annual Strategic Planning Session;

### Key Challenges & Recommendations:

Challenges	Recommendations / Action Plans
1. General lack of a culture of reporting and accounting to various municipal structures about the activities performed by the Development Planning services section	<ul style="list-style-type: none"> <li>Engage in ongoing reporting to various structures, i.e. Planners forum, Manco, Portfolio Committees, EXCOs, Council, etc...</li> </ul>
2. Lack of adequate knowledge and understanding of the strategic importance of the development Planning function within the family	<ul style="list-style-type: none"> <li>Ongoing Training, Capacity Building and awareness Campaigns</li> <li>Making Presentations, and develop marketing platforms etc...</li> </ul>
3. Inadequate adherence to the Provision of the District and Local Municipalities SDFs, Schemes and Building Bylaws and thus leads to Extensive Urban Sprawling.	<ul style="list-style-type: none"> <li>Ongoing Training, Capacity Building and awareness Campaigns</li> <li>Making Presentations and develop marketing platforms etc...</li> <li>Ensuring that the SDF and schemes and bylaws are well implemented and adhered to and used as guide for day to day decision making in municipalities.</li> </ul>
4. Lack of a fully functional GIS System in the District and Local Municipalities due to lack of Capacity among other reasons	<ul style="list-style-type: none"> <li>Making Budgets available to acquire needed GIS Hardware and Software</li> <li>Appointing GIS Operators to strength the GIS services and tackle the shortage of GIS Staff.</li> <li>Establishment of the District-Wide GIS Hub where data will be incorporated into a central data repository and make it be available to all.</li> </ul>
5. Lack of implementation of a single Long Term District-wide Growth & Development Plan	<ul style="list-style-type: none"> <li>Facilitate the Implementation of the District-Wide Growth &amp; Development Plan (DGDP) to guide long term planning &amp; development in the district</li> </ul>
6. Lack of adequate capacity and necessary to perform the Environmental Planning & Management function in the District	<ul style="list-style-type: none"> <li>Environmental Planning &amp; Management Positions made available in the PED Organogram to be filled to enhance the capacity of the Unit.</li> <li>Facilitate the Implementation of the District-Wide Environmental Management Framework (EMF) Plan</li> <li>Compile, Adopt &amp; implement the District-Wide Integrated Waste Management Plan (IWMP)</li> <li>Establish the District-Wide Environmental Planning &amp; Management Forum to help coordinate all related issues in the DM</li> </ul>
7. Lack of a Comprehensive Framework Plan for the implementation of Land Use Management Systems & Administration function throughout the District	<ul style="list-style-type: none"> <li>Compile and Adopt a comprehensive Framework Plan for the Preparation of Wall-to-Wall Schemes in terms of SPLUMA &amp; PDA throughout the District</li> </ul>
8. General lack of understanding of the implications of the latest Planning Laws in Municipalities, i.e. Spatial Planning & Land Use Management Act (SPLUMA) & Planning & Development Act (PDA).	<ul style="list-style-type: none"> <li>Facilitate Planning Laws Training &amp; Awareness Sessions throughout the District and with other key stakeholders</li> <li>Establish the Municipal Planning Tribunal (MPT)</li> <li>Institutionalize the implications of the new Planning Laws by amending the Organizational structures and making budget provisions.</li> </ul>
9. Lack of a reviewed District-Wide Integrated Public Transport Network (IPTN)	<ul style="list-style-type: none"> <li>Compilation and Adoption of the District-Wide Integrated Public Transport Network (IPTN) for uMkhanyakude Family of Municipalities</li> </ul>
10. Delays in the establishment of the District-Wide Joint Municipal Planning Tribunal (JMPT)	<ul style="list-style-type: none"> <li>Secure Principle resolution from Municipal Managers Forum to fast-track the signing of the JMPT Agreement by 30 June 2016</li> <li>Facilitate the process of developing &amp; gazetting of SPLUMA By-laws before 30 June 2016</li> </ul>

Challenges	Recommendations / Action Plans
11. Lack of institutionalization of the Building Inspectorate and Control Function within the District and Local Municipalities	<ul style="list-style-type: none"> <li>• Prepare and Submit a Business Plan to source funding from KZN-Cogta for the appointment of the Building Inspector at a District level.</li> <li>• Facilitate for the institutionalization of the Function by local Municipalities</li> </ul>

### Achievements

Despite the challenges, the Development Planning Shared Services served successfully in all competences outlined in the core functions and services. However the Unit grows from strength to strength, hence some DPSS position were filled thus strengthening capacity and enabling capacity support to the Local Municipalities.

### Environmental Management

KEY PERFORMANCE AREAS	HIGHLIGHTS OF THE ACHIEVEMENTS
Facilitate and coordinate environmental capacity building and awareness initiatives	<p><b>CAPACITY BUILDING:</b>  <b>The following capacity building initiatives were facilitated and conducted in the period over review:</b></p> <ul style="list-style-type: none"> <li>• <b>Waste Management Workshop (27/10/2015).</b> The workshop kicked off with both the Province and District presenting on the status of Waste Management in the District. A concern was raised regarding Licensing of landfill sites, wherein almost all waste disposal sites in the District would be licensed for closure. This was seen as contribution to widespread littering. In response to the concern the provincial department indicated that there were conditions contained in the licenses and that none of the sites would be closed immediately. This to allow municipalities to plan accordingly, and also allowing relevant sector departments to intervene accordingly.</li> </ul> <p>As part of way forward the following commitments were made:</p> <ul style="list-style-type: none"> <li>– Compilation of a district-wide report on the progress of the licensing of landfill site process, and elevation of such report to MANCO/EXCO/COUNCIL</li> <li>– Quarterly engagement in the District for sharing of best practices. Both National and Provincial departments to participate. The quarterly engagement would in a form of Waste Management Officers' Forum</li> <li>– Development of a District-wide Action Plan which must be aligned with IDPs, Budgets, SDBIPs and PMS. The plan must have timeframes and responsibility columns. The quarterly engagement would focus on the implementation of the Action Plan</li> <li>– Development of a District-wide Capacity-building and Awareness programme.</li> </ul> <ul style="list-style-type: none"> <li>• <b>Climate Change Toolkit Training for the uMkhanyakude District family of municipalities (03/06/2016).</b> The workshop was supported by SALGA and DEA. The District Disaster Management Unit and the District Environmental Management Unit (through the LGS official) made</li> </ul>

	<p>presentations highlighting the District approach to Climate Change. One of the way-forward was that SALGA and DEA would be invited on one of the Planners; Forum session wherein practical exercise would be undertaken, i.e. integration of climate change issues into the IDPs).</p> <p>Also, way-forward included the following issues:</p> <ul style="list-style-type: none"> <li>- Climate change as an standing agenda item in Provincial Disaster Forum</li> <li>- Training to be provided as part of the new councilors induction program</li> </ul> <ul style="list-style-type: none"> <li>• <b>Marine &amp; Coastal Legislation Enforcement workshop (25 – 26/02/2016):</b>The Workshop was conducted by DEA’s Legal Authorization, Compliance and Enforcement Branch focusing on enforcement of Integrated Management Act (Act 36 of 2014) and improving understanding on current challenges faced in its implementation faced by different institutions mandated or delegated to implement this legislation.</li> <li>• <b>Waste Management Khoro</b> (31 April -02 May 2016): The Khoro provided waste practitioners and other stakeholders such as the private sector to engage in addressing the challenges facing the waste management sector. The theme for the 2015 Waste Khoro was “PROMOTING INNOVATION AND UPSCALING ENTERPRISE DEVELOPMENT: Delivering the Tools of the Trade”. The programme included commissions on the following topics; <ul style="list-style-type: none"> <li>- Research, Development and Innovation</li> <li>- Best Practice Technologies</li> <li>- Waste Recycling Enterprise Development and Support</li> <li>- Special Commission on the Minamata Convention on Mercury</li> </ul> </li> </ul> <p><b>ENVIRONMENTAL EDUCATION AND AWARENESS:</b></p> <ul style="list-style-type: none"> <li>• An Environmental Education &amp; Clean-Up Strategy (Jozini <b>Waste Education &amp; Awareness Strategy</b>) was developed and compiled. <ul style="list-style-type: none"> <li>○ As part of the Jozini <b>Waste Education &amp; Awareness Strategy</b>; the following clean-up &amp; awareness campaigns were conducted in the period over review: <ul style="list-style-type: none"> <li>- A clean-up Campaign was conducted on the Jozini P522 Road linking Jozini town and the N2 highway (<b>05/08/2015</b>). A 5 KM stretch was cleaned on the day.</li> <li>- Commemoration of the World Environmental Calendar Day by conducting a litter pick-up and clean-up was facilitated targeting the Main Road to Jozini Town. A major clean-up around the now closed illegal waste disposal site adjacent to the Jozini Road was also conducted. The motive behind the clean-up was widespread littering along the Jozini road that has been cited as one of the main threats to Tourism sector growth in the municipality.</li> </ul> </li> </ul> </li> <li>• A 2-day P522 Road Clean-up Campaign was conducted (11 &amp; 12/11/2015). P522 road links Jozini town to the N2 Highway, and is characterised by indiscriminate littering along the sides of the road. The waste found along the road is not only waste thrown out from cars, it is hygiene waste such as nappies which are not thrown as single nappies but in refuse bags.</li> </ul>
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	<ul style="list-style-type: none"> <li>• A clean-up was also conducted at the Sibandlane Waste Disposal site (24/11/15) which is along the P522 road. The site has been closed by the municipality subsequent to the licencing for closure process by DEA. However, following the removal of the fence and the entrance gate, dumping on the site has continued, and during windy days such waste gets blown into the road and the river stream nearby.</li> <li>• <b>Also facilitated and conducted 3-phase awareness campaigns</b> as part of Jozini Local Municipality Waste Jozini <b>Waste Education &amp; Awareness Strategy</b>: <ul style="list-style-type: none"> <li>– Jozini Cleaning &amp; Awareness Education campaign(20/05/2016)</li> <li>– Mkuze Cleaning Campaign(10/06/2016)</li> <li>– INgwavuma Clean-up &amp; Awareness Campaign(24/06/2016)</li> </ul> </li> <li>• The Simple Clean Awareness Campaign school competition (13/08/2015). This initiative was aimed at creating awareness on waste management issues and enhancing the knowledge of good waste management practices, focusing on school learners. It was part of the Youth Jobs in waste programme. In line with the Jozini Waste Education &amp; Awareness Strategy, this initiative focused on schools around Jozini Local municipality. 14 schools were invited to participate in the campaign, but 13 schools participated. The identification of schools to participate in the programme was based on areas that are considered high-spots in terms of waste/litter challenges. Therefore only schools that are within those identified high-spots were therefore included to take part in the essay and artcraft competition.</li> </ul>
Support the planning & implementation of Environmental Management programmes in Municipalities	<p><b>MUNICIPAL PROJECT PROPOSALS DEVELOPED:</b></p> <p>The following project proposal was prepared and compiled:</p> <ul style="list-style-type: none"> <li>▪ KZ272 Integrated Waste Management Programme: <ul style="list-style-type: none"> <li>○ <b>Overall Objective:</b> To create an integrated waste management system that supports Jozini Local Municipality and mobilises citizens to support separation of waste at source as a first input into the recycling system</li> <li>○ <b>Specific objectives: PHASE 1:</b> To refurbish the existing Jozini Waste Recycling facility. The facility would be utilized a central collection point wherein waste collected from Jozini town and its surroundings will be diverted into and sorted. Non-recyclable waste will be stored on bins and transported into waste disposal site.</li> <li><b>Phase 2:</b> To employ, train and equip existing informal waste recyclers and additional unemployed people to work in, own and manage the waste recycling infrastructure. As part of EPWP-related project; employ unemployed people on a contractual-basis to collect litter, conduct awareness campaigns from within their respective areas.</li> </ul> </li> </ul>
Environmental sustainability monitoring in municipalities	<p><b>WASTE MANAGEMENT:</b></p> <p>Compiled a Waste Disposal Site Compliant inventory to monitor the progress regarding management of waste disposal sites in the District. Quarterly Landfill sites verification exercises have been conducted to update the inventory of any changes in the management of waste disposal sites.</p>



## INTEGRATED DEVELOPMENT PLANNING (IDP) & PERFORMANCE MANAGEMENT SYSTEMS (PMS)

The following table represents a summary of activities for IDP and PMS that took place during 2015/2016 FY:

KEY ACTIVITY	KEY OUTPUT	BY WHOM?	TARGET DATE
<b>STEERING COMMITTEE MEETING</b>			<b>13 July 2015</b>
1. Development & Submission of the Process & Framework Plan	IDP Process & Framework Plan	Steering Committee	30 July 2015
2. ExCo Adoption of the Process & Framework Plan	ExCo Resolution	MM& DC 27 ExCo	30 July 2015
3. Advertisement of the Process & Framework Plans	Copy of an advert	IDP/PMS Unit & Finance	14 August 2015
4. Provincial IDP Feedback Session	Feedback on credibility of the IDP	COGTA	27 September 2015
<b>STEERING COMMITTEE MEETING</b>			<b>23/09/2015</b>
5. Compilation of Situational Analysis	Status quo reports	Heads of Departments	November 2015
6. Municipal-wide analysis	Needs Analysis reports	Local Municipalities	November 2015
<b>STEERING COMMITTEE MEETING</b>			<b>19/09/2015</b>
7. Identification of Priority Issues	Priority issues report	Steering Committee	November 2015
8. Alignment Session with Sector Departments	Identification of District-wide Projects and Programmes	MANCO and Sector Departments	05 November 2015
9. Consolidation of Analysis results		IDP/PMS Unit	December 2015
10. Development of Objectives & Strategies	Draft Strategies	Municipal Departments	December 2015
11. Identification of Priority Projects	Draft list of 2014/2015 Projects	Portfolio Committees	January 2016
<b>STEERING COMMITTEE MEETING</b>			<b>21 January 2016</b>
12. Finalization of the IDP Document	Draft IDP	IDP/PMS Unit	08 March 2016
<b>STEERING COMMITTEE MEETING</b>			<b>18/03/2016</b>
13. Opportunity for Comments by Provincial/National Departments & Parastatals	Attendance and presentation at Provincial Assessments week	Heads of Departments and IDP/PMS Unit	5 April 2016
14. Incorporating and Responding to Comments from Provincial/National Departments & Parastatals	Submitted Project Proposals	Heads of Departments and IDP/PMS Unit	25 April 2016
15. Opportunity for Public Comments	District-wide Public Consultation Meetings	DC 27 EXCO	April 2016 (18,19,20,21,22)
<b>STEERING COMMITTEE MEETING</b>			<b>09/05/2016</b>
16. Final Adoption of the IDP	Final IDP Document	Council	31 May 2016
17. Advertisement of the IDP Document for Noting	Copy of an advert	IDP/PMS Unit & Finance	June 2016
18. Submission of an IDP Document to COGTA	Final IDP & Acknowledgement letter from COGTA	IDP/PMS Unit	May 2016

- IDP SC meetings were held as part of MANCO meetings
- Development Planning meetings happened successfully
- No IDP RF meeting happened due to circumstances beyond the control of the Municipality
- PMS compliance and critical deadlines were observed during 15-16 however there is still

room for improvement

- Performance agreements were signed
- Performance Plans were signed

## **PUBLIC PARTICIPATION THROUGH IDP AND BUDGET**

One of the mandates for Local Government, is to give priority to the needs of the community. Communities are therefore given an opportunity to participate in the process of prioritizing their needs. Municipalities through the IDP/Budget process register the needs of its community and also set up programmes that would address these needs. Resources are then allocated to address needs that have been identified.

The public participation meetings for IDP and Budget were scheduled as follows:

<b>DATE</b>	<b>LOCAL MUNICIPALITY</b>	<b>VENUE</b>	<b>TIME</b>
<b>8<sup>th</sup> April 2016</b>	Hlabisa Local Municipality (KZ274)	eNhlwathi - eDengeni Sportsground	10H00
<b>13<sup>th</sup> April 2016</b>	Big 5 False Bay Local Municipality (KZ273)	Nibela – Qomukuphila Sportsground	10H00
<b>14<sup>th</sup> April 2016</b>	Jozini Local Municipality (KZ272) – Cluster A	Ezibukweni Sportsfield – Near Jozini Mall	10H00
<b>15<sup>th</sup> April 2016</b>	Jozini Local Municipality (KZ272) – Cluster B	Ezulwini Community Hall (Ward 13)	10H00
<b>20<sup>th</sup> April 2016</b>	Mtubatuba Local Municipality (KZ275)	KwaGxaba Community Hall	10H00
<b>04 May 2016</b>	uMhlabuyalingana Municipality (KZ271)	Hlokohloko Community Hall	10H00

Between April to May, municipalities consulted with members of the community regarding the draft IDP and Budget before final adoption. At the beginning of April 2016 the District Municipality engaged IDP/Budget consultative meetings in partnership with local municipalities. During the proceedings of the meetings it was apparent that provision of water and electricity still remain as the high priority that members of the community expect municipalities to fulfil. The HoDs for the District Municipality accompanied by the Municipal Manager attended all meetings and captured all issues that were raised by members of the community. The IDP/Budget consultative meetings were also attended by representatives from the Road Accident Fund who were also driving an awareness campaign regarding procedures that should be followed in claiming for road accidents sustained by members of the community. All in all the meetings were well attended and relevant questions were raised which the Mayor addressed and also referred some to HoDs to take note of.

Due to financial constraints the District Municipality was unable to contribute towards the logistics for hosting IDP/Budget consultative meetings. Local municipalities though allowed the District Municipality to be part of the programme as well. A letter of gratitude was sent to local municipalities regarding this special arrangement that enabled the District Municipality to be part of consultative meetings. It will be encouraged that in future this arrangement be practiced and the District Municipality will be expected to contribute financially towards the logistical arrangements for these meetings.

## **LOCAL ECONOMIC DEVELOPMENT (LED) & TOURISM DEVELOPMENT & MARKETING**

### **Local Economic Development LED**

The economic profile of UMkhanyakude District Municipality is correctly determined by the Local Economic Development (LED), which is Tourism and Agriculture. Planning and Economic Development Department is the main unit that expedites stimulation of UMkhanyakude Local Economic Development and Tourism services. This happens through a lot of cascaded programmes that the said unit has developed. It aligns itself with other components that have the potential in increasing job opportunities and poverty eradication. The district is proactive in assuring the growth of the local business operations. To ensure continued Economic development in the area, the key priorities of UMkhanyakude district include the following:

#### **Core Functions & Services**

- Develop and support SSME's and co-operatives through infrastructure development:
- Co-op and SMME's Development programme
- Mseleni Groundnut project
- Strengthening of UMHlosinga Development Agency
- Creating Jobs opportunities through LED initiative (EPWP)
- Developing Rural Tourism through adopting Responsible Tourism practices;
- Improving job creation opportunities and tourism service excellence;
- Channel efforts for tourism entrepreneurial opportunities;

The summary below indicates the highlights for:

#### **Informal Economy Chamber**

- Informal economy plays a crucial role in improving and contributing a huge percentage to the economy of the district
- District managed to revive the informal chamber for all local municipalities whereby all the chairperson for local municipalities are members of the district forum
- The function of this chamber is to report on challenges faced by informal traders
- Four meetings are to be seated in the current financial year 2014/2015 and
- Quarterly reports to be submitted to the Provincial Informal Chamber and to the districts.
- 16 office bearers from all five local Municipality have been trained in the following fields:
  - introduction to entrepreneurship
  - advertising and promotion
  - basic financial management
  - purchasing skills and legal issues by law and compliance
  - health and food safety incorporating personal hygiene
  - Merchandising incorporating stock receipts point of sale and revision
- There is a stipend of the infrastructure grant for all the 16 office barriers.

## **EPWP**

- Mseleni groundnuts 75 workers employed are employed on this project
- 30 Maintenance and water leaks
- 65 sport fields maintenance Community

Project started in 2013/2014. The steering committee was established with the assistance of Cogta and uMhlabuyalingana Municipality. About 50 h/a of land owned by cooperative has been fenced. Number of jobs created through EPWP was about 90 people. The cultivating of nuts has been done and about 20kg x 21 bags were harvested.

## **SMMES and Comparative Summit**

- 200 SMMES and Co-operatives were supported by Ukdm and KZNFLA on Number of entrepreneur skills
- Quarterly LED forums have been held
- District Agriculture forum was established in partnership with the Department of Agriculture. Three local municipalities namely Jozini, Big5False Bay and Umhlabuyalingana have established local agriculture forums.
- 2 business plans concept documents have been created on LED and Tourism. Currently awaiting for the National department of Environmental affairs for funding.
- Emerging Contractor policies were developed and no funding to implementation the programme
- Co-operative study for the district was done and awaiting for funding for implementation

## **OPERATION PHAKISA**

- Study done by the Department of Agriculture and Rural development and is implemented as per the Makhathini Master plan.
- Local economic development projects on tourism and agriculture were identified.
- Business plans on the identified project were developed by the Department.

## TOURISM DEVELOPMENT AND PROMOTION

Tourism has been identified as one of the six fixed priority areas in the New Growth Path (NGP). The Umkhanyakude District Municipality through its Tourism Development and Promotion programme aims to engross towards the marketing and further identification of the already existing but unremarkable tourism products and services within the area. The focus of UMkhanyakude District Municipality is on both development and facilitation of tourism growth within the area. This is through providing support to a variety of public and private tourism key stakeholders at UMkhanyakude Stimulating Domestic Tourism and Education

- Successfully participated on Tourism indaba 2015 in DBN ICC. Tourism Indaba is an international trade show, it assists to market and link up with well-established products owners.
- Successfully transferred grant funding for the operation and maintenance of District CTO (Elephant coast tourism organization).
- Service level agreement was signed between the two organization (District CTO and UMkhanyakude District)
- Successfully printed 2000 destination brochures and supplied them to all District tourism information centres around the District and during tourism shows and exhibitions.
- Successfully printed 100 tourism DVDs for promotional purposes during tourism events.
- Held 3 District Tourism Forum Meetings as per the SDBIP, however the 4<sup>th</sup> one couldn't sit because of non-confirmation of participation by the stakeholders.
- Participated on JHB Getaway show. In that show, we purchased a 3x3 meter square stand plus the one sponsored by TKZN.
- Attended and participated a two days National Department of Tourism Capacity Building Workshop for SMMEs, it was held at Hluhluwe Protea hotel.
- Successfully hosted the District Tourism Educators Workshop as part of Domestic Tourism Promotion and Tourism Awareness at schools.
- Good relationship with tourism and LED sector departments and other relevant stakeholders.
- Participated in the Project Steering Committee meetings for KZN-Sodwana Bay – Amangwane Community Lodge, Muzi Pan Adventures and Lodge.
- Participated on Local Municipalities Tourism Forums, although some Local Municipalities find it very hard to host their own tourism forums.
- Participated in the Waste Management Meetings, because the Waste Management issue within the District seems to have a negative impact on tourism.

## **Sector Departments Funded Projects**

We managed to secure funding for the following tourism projects

<b>Project name</b>	<b>Description</b>	<b>Location</b>	<b>Funding</b>	<b>Lead department</b>	<b>Status</b>
Muzi pan adventures and lodge	Accommodation, canoeing and bird viewing	Jozini LM	R10 Million	National Department of tourism	In progress
Hlathikulu Camp site	Tented camps	Jozini LM	R4 Million	Environmental affairs	complete
Sontuli Tourism camp	Tourism education centre	Hlabisa LM/ within park	R8,5 Million	Environmental affairs	In progress
Mbazwana tourism info centre	Tourism information centre office	Mhlabuyalingana LM	R800,000	KZN COGTA	Complete

### **Key challenges & recommendations**

<b>Challenges</b>	<b>Recommendations / Action Plans</b>
1. General lack of a culture of reporting and accounting to various municipal structures about activities performed by LED.	<ul style="list-style-type: none"><li>Engage in ongoing reporting to various structures, ie Manco, Portfolio Committees, Exco and Council.</li></ul>
2. Delay of filling critical posts LED Manager, Two Tourism officers.	<ul style="list-style-type: none"><li>Filling of posts</li></ul>
3. Lack of project management knowledge with the existing staff	<ul style="list-style-type: none"><li>Ongoing training on projects management</li></ul>
4. Delay in appointment of knowledgeable service providers in the SCM unit (LED strategy)	<ul style="list-style-type: none"><li>Re-advertisement of the service provider to do a LED Strategy</li></ul>
5. Lack of a District-Wide LED strategy and investment strategy	<ul style="list-style-type: none"><li>Compiling and adopt the LED plan and investment strategy</li></ul>
6. Insufficient LED and Tourism budget	<ul style="list-style-type: none"><li>District to increase tourism and LED budget</li></ul>
7. Tourism transformation	<ul style="list-style-type: none"><li>Development of a transformation plan</li></ul>
8. Illegal tourism establishment	<ul style="list-style-type: none"><li>Development of tourism bylaws</li></ul>

### 3.2.2 UMHLOSINGA DEVELOPMENT AGENCY (UMDA)

A legislative framework relating to municipal entities came into effect through amendments to the Municipal Systems Act (MSA) and the enactment of the Municipal Finance Management Act (MFMA). The MSA defines three types of entities that may be established by a municipality with effect from 1 August 2004; private company, service utility or multi-jurisdictional service utility.

Prior to the MSA and MFMA requirements taking effect, municipalities used various arrangements to deliver services and manage the functions they performed. These included formation of trusts, section 21 companies and private companies. It was a requirement for municipalities to review these structures in view of the amended legislative framework and either convert them to an entity as per the amended legal framework or disestablish them, if they are no longer required. A review would cover such aspects as objectives of the entity, purpose for its establishment, activities being performed in an efficient and effective manner, providing value for money, sustainable budgets and viable funding, self-sustainability, appropriateness of governance structures to provide effective municipal oversight, accountability, transparency and reporting.

#### **Vision:**

**“To be the preferred partner providing cutting edge investment solutions to economic development in uMkhanyakude.”**

**The Mission** of UMDA is:

“To co-ordinate, plan and manage the implementation of a locally driven program of catalytic projects, to fast track the development of the local economy of the district of uMkhanyakude.”

**The Goals** of UMDA that flows from the Vision and Mission Statements and based on the challenges and opportunities are the following:

1. To promote sustainable commercialization of agriculture and establishment of agri-business industries in the district;
2. To develop a world class tourism sector;
3. To develop settlements that promote urbanization and industrialization;
4. To develop world class catalytic infrastructure that promotes economic development;
5. To develop institutional capacity of the agency, at all levels, with the capacity to effectively implement and raise funds for catalytic projects and operational needs.

In implementing the Goals and Objectives UMDA will be providing “consulting services” such as undertaking feasibility studies; preparing business plans; undertake environmental and planning studies aimed at gaining the required approvals; prepare funding applications and put project and programme management systems in place when and where required.

UMDA will also manage capital projects on behalf of the District Municipality, Local Municipalities and other government departments and in return will charge a 10% development fee. UMDA will manage internally certain strategic projects, in order to raise enough capital for operational expenses and feasibility studies.

Finally, UMDA will also manage strategic economic investments on behalf of the District Municipality and in return charge management fees and be entitled to a portion of dividends as agreed to between UMDA and the District Municipality.

#### **PERFORMANCE HIGHLIGHTS FOR 2015/16 FY:**

The UMDA has seen the importance of planning and therefore has made strategic plans to attaining its strategic objectives. The Organisational Scorecard is the key to realistic planning and monitoring to ensure that planned programmes and projects emerging from the strategy are implemented. The 2015/16 the UMDA Board approved the Organisational Business Plan which is in line with the overall Strategy. The Business Plan together with the three year Balanced Scorecard provided the UMDA with a clear directive for economic development of the district.

#### **Projects implemented in 2015/16:**

<b>Programme</b>	<b>Project</b>	<b>Objective</b>	<b>Source of funding</b>	<b>Duration</b>
Tourism	Tourism Nodes	-Tourism -Investment Increased -Tourism Planning	UMkhanyakude District Municipality	Continuous
	Hotel School Development	-Skills Development	UMkhanyakude District Municipality	Continuous
Agribusiness	National Schools' Nutrition Programme	-Agribusiness Development	Dpt. Education	3 years
Small Town Rehabilitation	Construction of Ndumo Market Stalls  Establishment of Mkhuze Market Stalls  Mkhuze Regeneration Plan	-Town beautification	COGTA	1 year
Infrastructure Development	Mkhuze Airport Development	-Development of a regional airport	UMkhanyakude District Municipality  EDTEA	Continuous
	Jozini Hydro	-Development of an electric power plant	UMkhanyakude District Municipality	Continuous



### **3.3 SECTION C: COMMUNITY SERVICES PERFORMANCE HIGHLIGHTS**

#### **3.3.1 MUNICIPAL HEALTH SERVICES**

##### **Health and hygiene education strategy**

- Health and hygiene education is one of the programmes that has been conducted successfully with an aim of reducing communicable diseases.
- The prevalence of communicable diseases remains high more especially to children under five years.

##### **Water quality monitoring**

- Water quality monitoring was not done well due to non-availability of funds within the municipality and this has posed threats to human's lives.
- Most of the water samples results are non compliant and need some urgent remedial action in those affected areas.

##### **Food control**

- Health assessments were conducted well in the food premises, however, there are some challenges within the municipality. This is done to prevent foodborne illnesses and outbreaks that might occur.
- The certificates of acceptability (COA) have been issued to premises which were found complying with the regulations stipulated in R192, which are framed under the National Health Act (Act 63 of 2003).

##### **Waste Management**

- There is very little that was done on waste management, however, it remains a major problem in the district and it also poses a major risk to the public

##### **Vector Control**

- Vectors could not be trapped due to lack of resources.

##### **Challenges**

- No vehicles available to execute daily duties with an aim of protecting communities.
- Shortage of staff as the Municipality is operating with only eight (8) Environmental Health Practitioners instead of 62.
- No identification cards for Environmental Health Practitioners.
- Inadequate funds within the district municipality.

### 3.3.2 DISASTER MANAGEMENT

#### Status of uMkhanyakude Disaster Management Centre

UMkhanyakude District Municipality has a functional District Disaster Management Centre (DDMC) which is established in terms of Disaster Management Act No. 57 of 2002. The various institutional measures have been established to ensure compliance with disaster management legislation and policies.

The disaster management centre is fully operational and has a fire station adjacent to it. This fire station is a shared service between the DDMC and The Big Five False Bay. The building is run by the uMkhanyakude District Municipality including maintenance and servicing of the building. The images below depict the Disaster Management Centre and the adjacent fire station.

**Image 1: Front View of UKDMC**



**Image 2: Fire Station of UKDMC**



#### Status of IGR Structures

#### District Disaster Risk Management Practitioners Meeting

The District Disaster Risk Management Practitioners forum has been established and comprises of all five (5) Local Municipalities at UMkhanyakude District. The Practitioners meeting was seated on the 17<sup>th</sup> of February 2016. The meeting was merged with the District Fire TTT as well as the festive season planning, this comprised of various stakeholders including RTI, SAPS and EMRS.

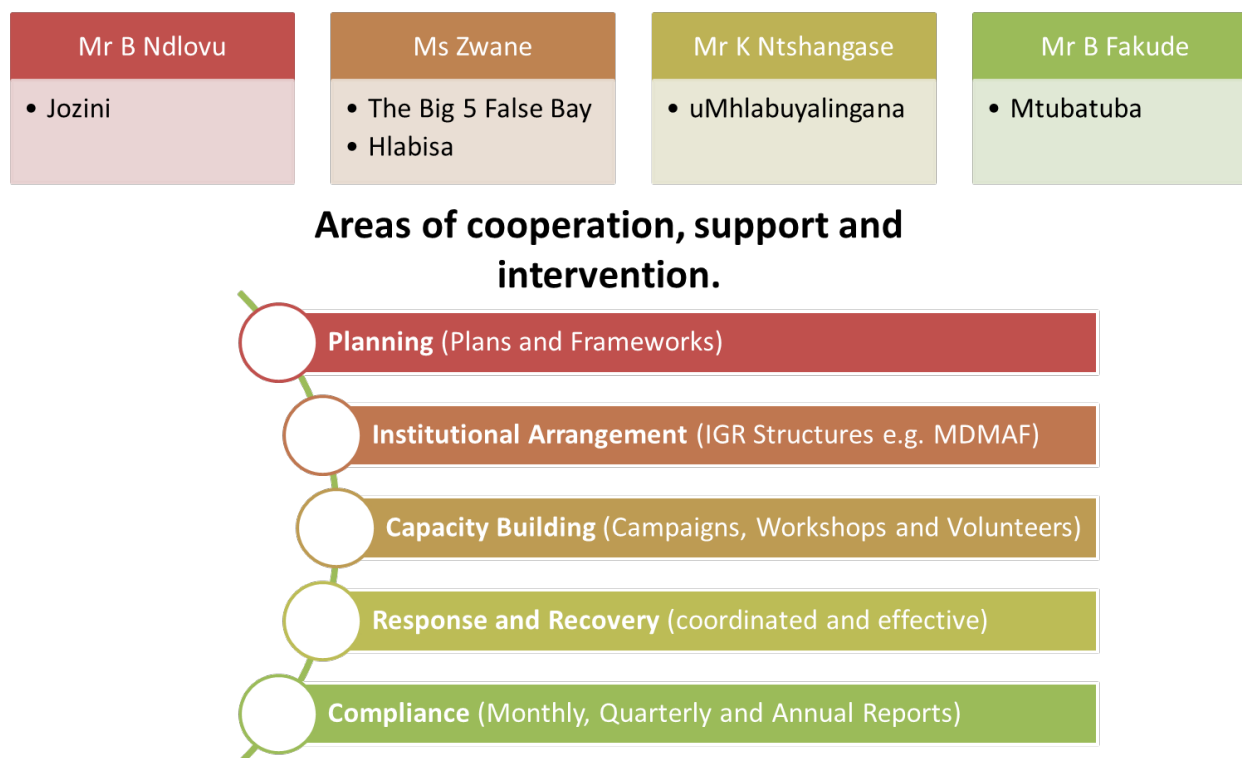
#### District Disaster Risk Management Advisory Forum

The DDMAF seats every quarterly and is very successful although there is a steady decline in the attendance of government departments various other stakeholders take part in this seating. The forum was last seated on the 25<sup>th</sup> of March 2015 at the uMkhanyakude UDDMC boardroom. The meeting was poorly attended a resolution to visit all the stakeholders was taken, particularly those involving sector department heads.

## Status of Disaster Management Capacity at UMkhanyakude District

The uMkhanyakude District Municipality has a functional District Disaster Management Centre, with the Head of the Centre already appointed, Mr SE Mngoma. The Head is supported by four Disaster Management Officers who are strategically allocated at municipalities to ensure the fulfilment of the Disaster Management mandate. The officers offer technical supporter to the local municipalities and fulfil all the requirements set in the job descriptions and UKDM SDBIP. The diagram below depicts how the organisational structure of the district disaster officers is set and the primary responsibilities.

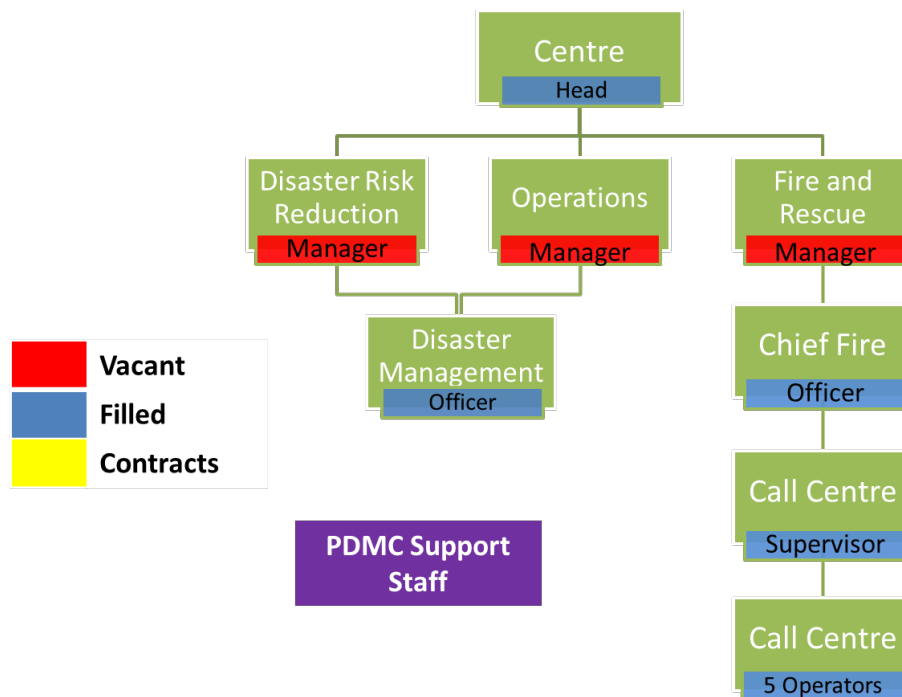
**Figure 1:** Areas of Cooperation and deployment of disaster management officers



The Disaster Management Officers are executing various milestones being mainstreaming disaster management through awareness campaigns and capacity building. Furthermore, the PDMC offers support with regards to financial resources such as grant funding and assistance with disaster relief material.

The Chief Fire Officer, the Supervisor for the control centre and the five control centre operators have been employed by the district municipality and support the district when responding to incidents as well as reporting the incidents. The organogram below is the current existing one which only includes the UKDM Disaster Management Team.

**Figure 2: District Disaster Management Organogram**



### **Status of UMkhanyakude District Disaster Management Plans / Framework**

#### **Disaster Management Framework**

As required by Section 53 of the Disaster Management Act No.57 of 2002, the UMkhanyakude District Disaster Risk Management Policy Framework has been drafted in line with the requirements of the disaster management legislation and policies. The UKDM disaster management policy framework has been tabled and endorsed by EXCO. The policy framework is now ready for presentation to the council and approval thereof Disaster Management Plan.

There are plans in place to develop a comprehensive district disaster management plan; there is however a disaster management sector plan that is aligned with the IDP. It is important to note that hazards and disaster risks are dynamic and this calls for various methods to be used in ensuring that an accurate risk profile for the district is carried-out to inform the development of the plan.

#### **Readiness to deal with disasters**

All incidents are attended to as and when they get reported, whilst rapid and effective response is done in a multi-disciplinary manner in partnership with other disaster management role-players. In its role of disaster management co-ordination, the district responds to incidents in supporting the five local municipalities within the uMkhanyakude District i.e. uMhlabuyalingana, Jozini, Big 5 False Bay, Hlabisa and Mtubatuba Local Municipalities. All applicable contingency plans (unique to particular hazards) get implemented as and when there is a need, with all role-players acutely aware of their roles and responsibilities. With the support of the newly appointed disaster management team local municipalities and the district will benefit immensely in carrying out the Disaster Management Mandate.

The table 1 below indicates the *Integrated Institutional Capacity* for Disaster Management within UKDM. Firstly none of the municipalities including the district have an Integrated Committee on disaster Management, another concerning issue is that only two local municipalities have a seating advisory forum. The second pressing issue is that of a disaster management officer/head within a specific municipality, Mtubatuba municipality recently had their officer retire and Jozini municipality had theirs resign, this leaves a gaping hole within the disaster management teams at this municipality. All Fire and rescue services within the locals and the district are not up to standard and need to be addressed soon as proven in the 2014/2015 financial year fires are the most rife disaster incidents.

The final issue is that of a comprehensive Disaster Management Plan. There is no recent and approved disaster management plan from the municipality or the district; however three municipalities and the district have compiled draft Disaster Management Plans.

There are 53 employees dedicated to disaster management and fire services, as well as 12 vehicles used to conduct disaster management activities.

Table 1: Disaster management capacity

MUNICIPALITIES	KEY INDICATORS FOR THE INTEGRATED INSTITUTIONAL CAPACITY FOR DISASTER MANAGEMENT														
	Municipal Inter-departmental Committee on Disaster Management.	Mechanisms for developing and adopting disaster risk management policy and plan has been developed	Job description and key performance indicators for the position of the Head/officer of Disaster management Centre/portfolio have been developed.	Municipal disaster management head/officer has been appointed.	The municipal disaster management, fire and rescue unit has been established and functioning effectively.	Roles and responsibilities of municipal departments and entities involved in disaster management have been identified, assigned and included in the job descriptions of key personnel.	The Municipal Disaster Management Advisory Forum has been established and is operating effectively.	External Departments and entities playing role in disaster management have been identified and assigned primary and secondary responsibilities.	Disaster management officials have full participation in integrated development planning processes and structures.	Ward structures have been identified and tasked with responsibility for disaster management.	A current register of disaster risk management stakeholders and volunteers has been established and is maintained.	Guidelines have been developed and disseminated for entering into partnerships and concluding mutual assistance agreements and memoranda of understanding with relevant role-players.	Comprehensive disaster management plan (not older than two years) has been developed and approved by the Municipal Council.	Compliance and Functionality	
	Score	%													
1. uMkhanyakude	No	Yes	Yes	Yes	Partial	No	Yes	Partial	Yes	Partial	Yes	Partial	Draft	17/26	65%
2. Mtubatuba	No	No DMAF	Yes	Retired	Partial	No	No	Partial	Yes	Partial	Partial	Partial	No	12/26	46%
3. Hlabisa	No	Yes	Yes	Yes	Partial	No	Yes	Partial	Yes	Partial	Yes	Partial	No	16/26	62%
4. Jozini	No	No DMAF	Yes	Resigned	Partial	No	No	Partial	Yes	Partial	Partial	Partial	Draft	13/26	50%
5. The Big 5 False Bay	No	No DMAF	Yes	Yes	Partial	No	No	Partial	Yes	Partial	Partial	Partial	Draft	14/26	54%
6. uMhlabuyalingana	No	Yes	Yes	Yes	Partial	No	Yes	Partial	Yes	Partial	Yes	Partial	Draft	17/26	65%
COMPLIANCE AND FUNCTIONALITY	0%	100%	100%	83%	50%	0%	50%	50%	100%	50%	75%	50%	33%	57%	

## Status and results of Disaster Risk Assessments undertaken

### List of Priority Risks (Hazards)

UMkhanyakude District Municipality is prone to a number of natural and man-made hazards. The vulnerability differs, by either socio-economic status or the exposure of a particular household or community to a specific hazard.

*Table 2: Priority Hazards identified at UMkhanyakude District*

	Incident Type	Areas Affected
<b>UMkhanyakude District Municipality</b>	<ul style="list-style-type: none"> <li>• Households fire</li> <li>• Bush fires</li> <li>• Extreme hot temperatures</li> <li>• Strong winds</li> <li>• Lightning</li> <li>• Human Disease</li> <li>• Animal Disease</li> <li>• Plants Disease (intruder)</li> </ul>	In all local municipalities
	<ul style="list-style-type: none"> <li>• Crime</li> <li>• Road Incidents</li> <li>• Drought</li> <li>• Floods</li> <li>• Infrastructure failure</li> <li>• Air pollution</li> <li>• Water pollution</li> <li>• MVA ( mostly in <b>N2</b>)</li> </ul>	In all local municipalities

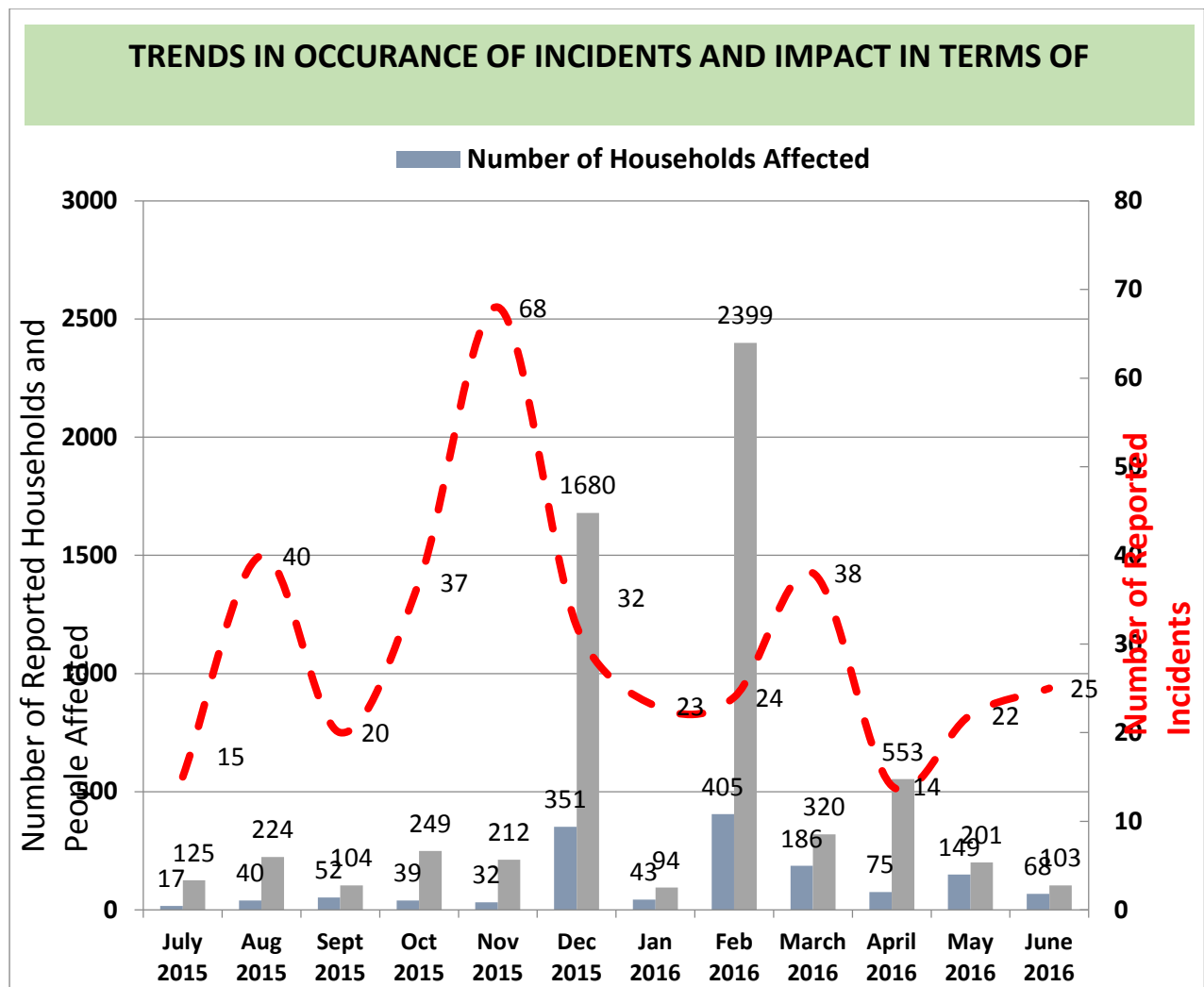
## Response and Recovery

### Annual Incidents (July 2015 to June 2016)

The district has experienced a significant increase in the number of incidents during the fourth quarter, with February had the highest number of households affected as well as people affected during the 2015/2016 financial year. During this financial year three hundred and fifth eight (358) incidents, a total number of six thousand two hundred and sixth four (6264) people have been affected so far, this is coupled with one thousand four hundred and fifth seven (1457) affected households. The incident analysis graph below depicts the above mentioned information.

#### Incidents Analysis

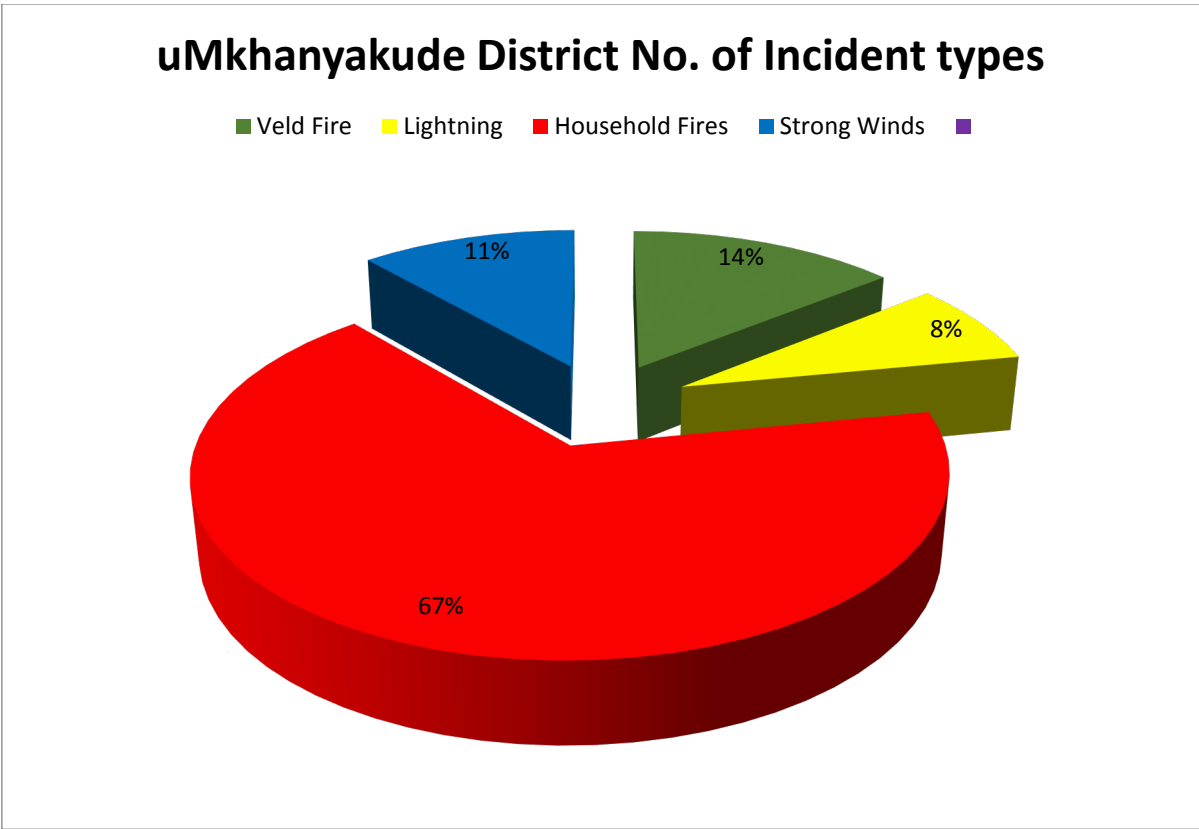
**Figure 3: Trend Analysis Graph**





Nearly 67 % of the incidents during 2015/2016 financial year were household fires; lightning was a major cause for fatalities during this quarter and seven percent of all incidents were lightning related. The Figure below depicts the percentage of incidents per type hazard as described.

**Figure 4:** *Percentage of incidents per type of hazards.*



**Some of the pictures highlighting the incidents occurred**

**Image 3:** Depicting the drowning incident



**Image 4:** Ezwenelisha ward 4

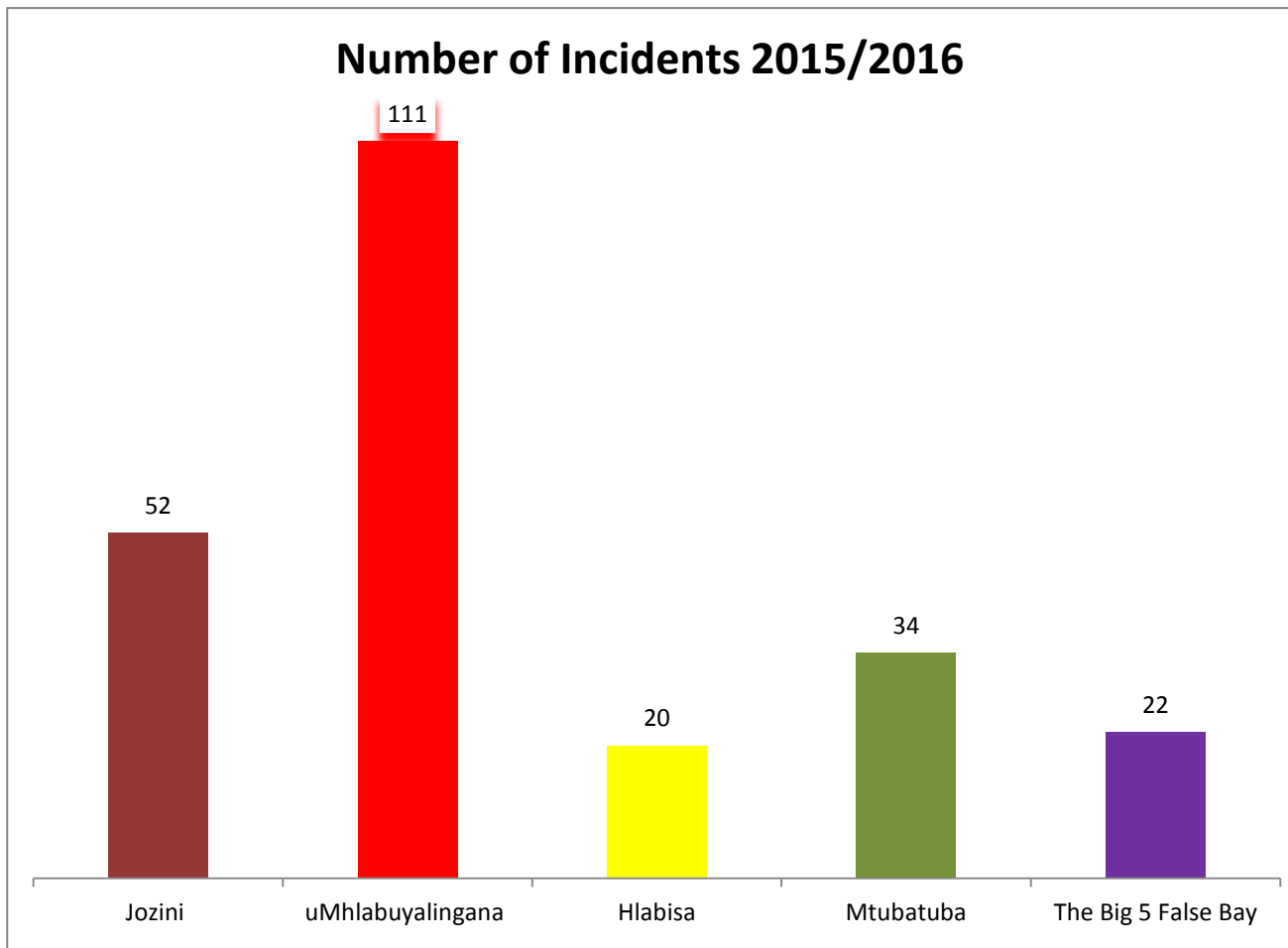


**Image 6:** Depicting a strong wind incident

**Image 5:** The Big 5 LM erecting a tent



Bar Graph indicating the number of Incidents



#### Best Practices / Achievements / Successes

- Through the The District turnaround time when responding to reported incidents is highly commendable. This is due to district proper coordination and integration, in partnership with all role-players and stakeholders in the district.

**Table 4:** uMkhanyakude Capacity Building and Awareness Campaigns Conducted

Disaster Management Awareness Campaigns		
Platform	Place /Area	Total
Community Awareness	<ul style="list-style-type: none"> <li>Jozini LM Sectorial Workshop (Msiyani).</li> <li>uMhlabuyalingana Sectorial Workshop (ITLEC meeting)</li> <li>uMhlabuyalingana Sectorial Workshop (RIMS)</li> <li>Mbazwana Inn Awareness Campaign.</li> <li>Nhlwathi Clinic Awareness Campaign.</li> <li>Mpembeni Clinic Awareness Campaigns.</li> </ul>	6

<b>Traditional Authorities</b>	<ul style="list-style-type: none"> <li>• Makhasa Traditional Court</li> <li>• Kwa-Jobe</li> <li>• KwaTembe T.C</li> </ul>	3
<b>School Awareness Campaigns</b>	<ul style="list-style-type: none"> <li>• Mtubatuba High School</li> <li>• Siyelulama High School</li> <li>• Khongela Primary School</li> <li>• Mafa Primary School</li> <li>• Bangizwe Primary School</li> <li>• Kwa Giba High School</li> <li>• Zenzeleni High School</li> <li>• Masakeni Primary School</li> <li>• Bonga High School</li> <li>• Ntamunemidwa High School</li> <li>• Thembelihle School</li> <li>• Peter Pan Pre-school</li> <li>• ENkathwini P School</li> <li>• Kwabamba Secondary School</li> <li>• Macabuzela P School</li> <li>• Ezifundeni H School</li> <li>• Emthulasizwe H School</li> <li>• Mpukunyoni P School</li> <li>• Mqhiyam P School</li> <li>• Mkhonjemi P. School</li> <li>• Mthanti Cresh</li> <li>• Mangwazane H. School</li> <li>• Mmemezi H. School</li> <li>• Nqutshini P. School</li> <li>• Ikusasaletu H. School</li> <li>• Mbazwana Primary School</li> <li>• Nibela P. School</li> </ul>	27
<b>Fire Drill</b>	<ul style="list-style-type: none"> <li>• Ezimpondweni Clinic</li> <li>• Nondabuya Clinic</li> <li>• Ophondweni Clinic</li> <li>• Mosvold Hospital at Ingwavuma</li> </ul>	4
<b>Total</b>		<b>40</b>

**Table 5: uMkhanyakude Institutional Arrangement and Mainstreaming of Disaster Management**

Institutional Arrangement and Mainstreaming of Disaster Management		
Mainstreaming	Place/Venue	Total
<b>Institutional Arrangements</b>	<ul style="list-style-type: none"> <li>UKDM Practitioners Meeting</li> <li>UKDM Advisory Forum.</li> <li>UMhlabuyalingana Local Municipality Advisory Forum.</li> </ul>	3
<b>Volunteer Recruitment</b>	<ul style="list-style-type: none"> <li>Phumlani CCG's</li> </ul>	2
<b>Total</b>		<b>5</b>

**Image 7: Siyelulama High School (Mtubatuba)**



**Image 8: Bangizwe Primary School**



## Other Disaster Management Initiatives

### Plenary Meetings

During the first quarter of the 2015/2016 financial year the disaster management team was engaged in event planning meetings. The plenary meetings were attended to ensure that risk or threats likely to affect the event are identified and that safety measures are implemented.

Date	Planning Meeting	Meeting Venue
1. 14 July 2015	Minister of South African Police Services Visits to UKDM	UKDM District Municipality
2. 29 July 2015	Mandela Day plenary Meeting	UKDM District Municipality. uMhlabuyalingana
3. 25 August 2015	Plenary Meeting for KZN Cabinet.	Ndlondlweni
4. 11 September 2015	Plenary Meeting for Premier visit and office of the legislature	Hlabisa

### **Town Awareness Campaign**

As part of the uMkhanyakude District Municipalities objective to build resilient communities the district, together with its families of municipalities conducted town awareness campaigns whereby engagements people on the ground was the focal point of the program. The main objective was to inform people on trending risks and hazards, give clarity of various incidents where the communities lack the knowledge and also distribute emergency numbers to as many people as possible. The UKDM has seventeen (17) towns which can be classified as major nodal points in which the *Town Awareness Campaigns* can be conducted.

There were a total number of ten (10) Town Awareness Campaigns conducted of the seventeen identified towns; the remaining seven will be concluded within the remainder of the financial year. Another point to note was the incredible support from the Working of Fire organisation which played an influential role in the success of these awareness campaigns.

The map below indicates in detail the Towns that were visited in Mainstreaming disaster Management and conducting awareness campaigns to combat trending risks and hazards within UKDM. The towns visited are marked in green and those that are yet to be visited are marked in red (see map 1 below). Towns were viewed a great platform to inform the UKDM community, visited on strategic days whereby the towns were active the towns in which awareness campaigns are as follows; Ndumo, Skhemele, Manguzi, Mseleni, Mbazwane, Jozini Town, Hluhluwe, Mtubatuba Town, St. Lucia and Hlabisa reaching the total number of 10 awareness campaigns conducted.

**Image 11:** Working on Fire Supporting UKDM



**Image 12:** Mtubatuba Taxi Rank awareness and St Lucia Pension Pay Point

### **Delivery of Water Bottles to Combat the Current Drought**

Through the assistance of the PDMC and Alimdad (NGO) the district received 500 five liter water storing bottles to assist the very poor communities in storing water. These bottles are to be distributed to all local municipalities within the UKDM.

### **uMthayi Marula Festival**

The District together with uMhlabuyalingana Municipality offered Disaster Management support by means of, Fire and Rescue services as well as taking cautionary measures in ensuring that the event ran successful.

### **Ideal Clinic Workshop**

The UKDM Department of Health was workshopped on health and safety measures to be incorporated into the ideal clinic programme currently being run by the National Government. The workshopped addressed all disaster management issues and brought awareness to areas at which the health institutions should focus on to reduce the risk of disasters.

### **Ndumo Projects Progress Assessment**

After the MEC for Human settlements honourable R. Pillay visited the Ndumo area, various households affected by the February 20 Strong winds were identified. The UKDM dispatched its staff members to conduct an assessment as well as a verification of the affected households and further table

recommendations for the affected parties. A meeting was held on the 7<sup>th</sup> of March to evaluate the progress of the Ndumo projects whilst the disaster issues were taken to account and a plea to declare a disaster based on the recent incidents.

#### **Manyiseni Event**

An event was held by the honorable MEC M. Mabuyakhulu to address the conflicts at the Mathenjwa Traditional Authority at Manyiseni area. This event was partially held as there were disturbances with community protests; issues were resolved at a separate meeting.

Input.



### **3.3.3 SPECIAL PROGRAMMES SECTION**

#### **CHILDREN AND DISABILITY**

- District Advisory Council on Children meetings had been conducted as per plan
- Workshop on Children with facilitated by iLifa Labantwana and Department of Social Development: 21-23 October 2015
- District Advisory Council on Children launched on 06 March 2016
- Disability Forum meetings had been conducted per quarter, attended by relevant stakeholders

#### **Challenges:**

- Financial constraints that has been facing the Municipality has caused most of the targeted activities not to be performed

#### **ARTS AND CULTURE**

- 4 Isicathamiya groups participated in the Playhouse Annual Competition
- Royal Reed Dance was held at eMachobeni Royal Residence in September 2016
- Umkhosi wamaganu and Umthayi held at eMachobeni Royal Residence and Emfihlweni Tembe Kraal
- Youth –in-schools participated in the National Competitions and one became the National Champion.
- Community Choirs comprising Youth and Adults participated in the Provincial Competition funded by Department of Arts and Culture; and one UKDM Community choir became the Provincial Champion.

#### **Challenges:**

- Financial constraints somehow hindered the Municipal support towards Arts and Culture Programme.
- Municipal Vehicles were from time to time grounded thus hindering some meetings attendance.

#### **GENDER & SENIOR CITIZENS**

- The Senior Citizens engaged in the Golden Games Sports Locally, District level, Provincially as well as Nationally.
- The Provincial Senior Citizens Parliament was held in uMkhanyakude District for 2 days at Enhlwathi – Hlabisa Municipality during September 2015.
- The Provincial Senior Citizens International Day was also celebrated in uMkhanyakude District in October 2015.

**Challenges:**

- Financial constraints somehow hindered the Municipal support towards Gender and Senior Citizens as part of Public Participation.
- Municipal Vehicles were from time to time grounded thus hindering some meetings attendance.

**HIV and AIDS PROGRAMME**

- District AIDS Council Meeting has targeted 4 meetings to sit in a quarter, all quarters has been achieved.
- Wellness programme were conducted as per plan
- World AIDS Day was commemorated on 20 December 2015

**Challenges:**

Financial constraints that has been facing the Municipality has caused most of the targeted activities not to be performed

**Sports and Recreation**

- The District participated with three codes (Volleyball, Boxing and Football males) in SALGA KZN Games 2015 held at Ilembe District Municipality in December.
- The District hosted and participated in the Provincial Indigenous Games Festival in August 2015.
- The District selected and assisted the team that participated in Provincial golden Games held at UThungulu District Municipality
- Disability Sport day was held in November 27, 2015 at Makhasa Sports field.
- Disability Sport Federation Meetings.

### 3.4 SECTION D: CORPORATE SERVICES PERFORMANCE HIGHLIGHTS

Council and Standing Committee meetings held during 2015/2016 financial year:

Council	Executive Committee	Corporate Governance Portfolio Committee	Community Services Portfolio Committee	Finance Portfolio Committee	Technical Services Portfolio Committee	PED Portfolio Committee	MPAC	Local Labour Forum
11	12	4	3	4	6	1	1	4

### 2015/2016 PERFORMANCE HIGHLIGHTS

- Review of the organizational structure as part of the intervention in terms of Section 139 (1) (b);
- Development of employee job descriptions as part of the intervention in terms of Section 139 (1) (b)
- Signing of Agreements of Employment and Performance Agreements by all Section 54 and 56 Managers;
- Compilation and submission of the 2015/2016 Workplace Skills Plan and the Training report to LGSETA;
- Implementation of the Employee Self Service (ESS) electronic leave management system;
- Development and implementation of the records management action plan with the assistance of COGTA and Department of Arts and Culture;
- Conducting Health and Safety Risk Assessments.

### 3.5 SECTION E: FINANCIAL SERVICES PERFORMANCE HIGHLIGHTS

#### Auditor General's Opinion

The opinion of AG regarding finances of the Municipality was as follows:

AUDIT OPINION	FINANCIAL PERIOD
Disclaimer Audit Opinion	2014/2015
Qualified Audit Opinion	2013/2014
Qualified Audit Opinion	2012/2013
Disclaimer Audit Opinion	2011/2012
Adverse Audit Opinion	2010/2011

## **Financial Strategies**

- Cleansing of Consumer Data
- Profiling Debtors (identify top 20 that can pay)
- Installation and repair of meter
- Accurate Billing
- Implementation of Credit Control
- Effective use of Interim Finance Committee (IFC)
- Preparation of Realistic and Funded Budget in line with IDP
- Transfer of Skills (Not sure if it's under Institutional Transformation)
- Timely Reporting
- Development of Annual Financial Statements (AFS) Plan
- Acquisition of Asset Management System
- Development of Procurement Plan
- Capacitate SCM Officials and Bid Committees
- Management of Existing Contracts

## **Revenue Raising**

For an organisation to sustain itself, it should be able to raise revenues to fund and sustain the services provided and also budget for the growth of the services and the organisation as a whole. This can be achieved by charging a cost reflective tariff for the services provided, using latest technologies where available to enhance operations and achieve greater value for money.

Most importantly the municipality must invest in the revenue generating resources and strategies by budgeting correctly for the repairs and maintenance.

Some of the significant programmes UKDM is implementing include:

- The review of Tariff policy, Debt collection and Credit Control policy and Indigent Policy. These policies outline the relevant procedures of levying tariffs, credit control, debt collection and indigent support. The indigent policy also defines the qualification criteria for indigent status. The tariff policy endeavours to levy affordable and sustainable service charges for services rendered to all consumers within in the district.
- Enhance credit control section additional personnel. Cashiers from UKDM satellite office that are not busy have been temporarily placed under credit control as a measure to improve collection rate.
- Office of the CFO has meetings with individual consumers that have a potential to pay. The debtors are requested to commit on a payment plan and sign an acknowledgement of debt.
- A project for the installation of water meters has been included in the MIG budget for the current financial year.

### Financial Management Strategies

- Review of the existing Financial Management System to ensure relevance and readiness for SCOA.
- Integration of all computerized systems to ensure accurate, relevant and timely reporting to all stakeholders
- Implementation of the intervention plan
- Develop process flows and standard operating procedures.
- Monthly monitoring of budget variances through the financial reporting.
- Weekly cash flow analysis
- Establishment of the Interim Finance Committee (IFC) to approve all requisition and payments.

### Asset Management Strategy

National Treasury is assisting the municipality in developing a comprehensive asset register in line with the standards of GRAP. Part of the project includes assets management system that will enhance control and management of all municipal assets.

The municipality is compiling a list of all that are unserviceable, redundant and obsolete for disposal.

## 3.6 SECTION F: OFFICE OF THE MUNICIPAL MANAGER'S PERFORMANCE HIGHLIGHTS

### PERFORMANCE HIGHLIGHTS

- PT and COGTA provided support for finance and technical services departments
- Full expenditure of MIG funding
- Improved functionality of Audit Committee and MPAC

### CHALLENGES AND RECOMMENDATIONS

CHALLENGES	RECOMMENDATIONS
The focus of PMS is still on section 56 & 57 managers	<ul style="list-style-type: none"><li>• PMS to be cascaded to officials below section 57 managers</li></ul>
High vacancy rate in the MM's office	<ul style="list-style-type: none"><li>• Fill critical vacant posts</li></ul>
Municipality does not have an in-house Internal Audit unit	<ul style="list-style-type: none"><li>• Establish a fully-fledged Internal Audit unit</li></ul>
There is no legal section to deal with all legal matters pursued against or by the municipality	<ul style="list-style-type: none"><li>• Appointment of Legal Service Officer</li></ul>

Shortage of floor space ( offices to accommodate staff members as per Board and general Organogram)	<ul style="list-style-type: none"> <li>• Extension of existing office space</li> </ul>
Failing to achieve clean Audit Report	<ul style="list-style-type: none"> <li>• Implementation of a municipal turnaround strategy</li> </ul>
Delay in securing licence for utilizing Jozini Dam	<ul style="list-style-type: none"> <li>• The office of the Mayor to take the matter up with the office of National Minister of Water Affairs</li> </ul>
Lack of cooperation with Intergovernmental Relations (IGR)	<ul style="list-style-type: none"> <li>• Ensure functionality of IGR(Intergovernmental Relations)</li> </ul>
Compliance with Risk Management as per MFMA section 165	<ul style="list-style-type: none"> <li>• Establishment of fully functional Risk Management unit</li> <li>• Improvement of record keeping as per Archives Act</li> </ul>

### **3.7 SECTION G: SERVICE DELIVERY TARGETS AND PRIORITIES FOR 2016/2017**

#### **Preferred Performance Management Model**

A performance management model can be defined as the grouping together of performance indicators, sometimes based on the type of indicator, into logical categories or groups (often called perspectives), as a means to enhance the ability of an organization to manage and analyse its performance. As such a model provides a common framework for what aspects of performance is going to be measured and managed. It further ensures that a balanced set of measures are employed that are not relying on only one facet of performance and therefore not presenting a holistic assessment of the performance of an organisation.

A number of performance models are available and any of them could be applied by the Municipality. The available models include the Municipal Scorecard, Balanced Scorecard and the Key Performance Area Model. The District Municipality has chosen the Key Performance model. In the said model all indicators are grouped together under the national key performance areas as per the Systems Act and the local key performance areas as per the Umkhanyakude District Municipality's IDP. The said Model therefore enables the District Municipality to assess its performance based on the national and its own local key performance areas.

The following KPAs inform the OPMS of the Municipality:

1. Municipal Transformation and Institutional Development
2. Basic Service Delivery
3. Local Economic Development
4. Municipal Financial Viability and Management
5. Good Governance and Public Participation
6. Cross Cutting Interventions

**KPA 1: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT**

INDEX	GOAL	OBJECTIVE REF	OBJECTIVE	STRATEGY REF	STRATEGY(IES)
A	<b>Performance Management System</b>	AA	To ensure effective Organizational Performance Management System (PMS)	AA1	Implementation of PMS
	<b>Integrated Development Plan</b>	AB	To ensure effective integrated development planning (IDP)	AB1	Implementation of IDP
	<b>Human Resources Development</b>	A1	To provide effective and efficient human resource management aimed at achieving a skilled workforce that is responsive to service delivery and change	A1.1	Implementation of Human Resources Development Strategy
				A1.2	Council Adoption of Workplace Skills Plan
				A1.3	Implementation of Work Place Skills Plan (WSP)
				A1.4	Council adoption of Employment Equity Plan
	<b>Records Management</b>	A2	To provide an effective and efficient system of managing records for preservation of institutional memory	A2.1	Implementation of Records Management System
	<b>Information Communication Technology Management</b>	A3	Adherence to evolving technology	A3.1	Conduct an assessment on provision of ICT services
	<b>Occupational Health and Safety Management</b>	A4	To ensure adherence to Occupational Health and Safety Act	A4.1	Conduct Health and Safety Risk Assessments
	<b>Administrative Support Services Management</b>	A5	To ensure effective and efficient administrative services	A5.1	Conduct an assessment on provision of administrative support services
	<b>Legal Services</b>	A6	To ensure effective and efficient legal services	A6.1	Conduct an assessment on provision of legal services



## KPA 2: BASIC SERVICE DELIVERY

INDEX	GOAL	OBJECTIVE REF	OBJECTIVE	STRATEGY REF	STRATEGY(IES)
<b>B</b>	<b>High quality infrastructure network</b>	<b>B1</b>	To provide high quality infrastructure network to support improved quality of life and economic growth	B1.1	Implementation of projects for all households to access basic water services supported by high quality infrastructure
				B1.2	Implementation of projects for all households to access basic sanitation services supported by high quality infrastructure
				B1.3	Ensure functional electricity services for Ingwavuma and KwaMsane areas
				B1.4	Planning and implementation of support programmes aimed at Improving coverage and quality of infrastructure within the District

## KPA 3: LOCAL ECONOMIC DEVELOPMENT

INDEX	GOAL	OBJECTIVE REF	OBJECTIVE	STRATEGY REF	STRATEGY(IES)
<b>C</b>	<b>District economic growth and employment opportunities</b>	<b>C1</b>	To expand district economic output and increase quantity and quality of employment opportunities	C1.1	Optimise the role of the agricultural and forestry sector in district economic growth and employment creation
				C1.2	Optimise the role of conservation and a diversified tourism sector in District economic growth
				C1.3	Increase in business skills levels of the district labour force
				C1.4	Ensure improved quality of employment opportunities and to raise income levels of employed population
				C1.5	Monitoring of UMDA's performance as per the Business Plan for operational budget

**KPA 4: FINANCIAL VIABILITY AND MANAGEMENT**

INDEX	GOAL	OBJECTIVE REF	OBJECTIVE	STRATEGY REF	STRATEGY(IES)
<b>D</b>	<b>Improve Revenue Collection</b>	D1	To Implement Revenue Collection Strategy	D1.1	Develop and implement cash flow management plans
	<b>Improve Expenditure Management</b>	D2	To improve expenditure management	D2.1	Develop and implement cash and credit management plans
	<b>Improve Financial Management</b>	D3	To Improve Financial Management	D3.1	Develop a credible budget and report in accordance with the provisions of the MFMA
	<b>Implement Supply Chain Management Processes</b>	D4	To Effectively Implement Supply Chain Management Regulations	D4.1	Development of a Procurement Plan
				D4.2	Assessment of service providers performance

#### KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

INDEX	GOAL	OBJECTIVE REF	OBJECTIVE	STRATEGY REF	STRATEGY(IES)
E	Improve Quality of Life	E1	To improve the quality of life and life expectancy for people living within Umkhanyakude District	E1.1	Implementation of Special Programmes
				E1.2	Implementation of Environmental Health Management Programmes
	Excellence in Governance and Leadership	E2	To ensure excellence in governance and leadership	E2.1	Implementation of Risk management programmes
				E2.2	Coordination of committees responsible for oversight in the Municipality
				E2.3	Regular public participation in municipal businesses
				E2.4	Implementation of IGR programmes
				E2.5	Coordinate council committees and structures

#### KPA 6: CROSS CUTTING INTERVENTIONS

INDEX	GOAL	OBJECTIVE REF	OBJECTIVE	STRATEGY REF	STRATEGY(IES)
F	Integrity and Quality of Physical Environment	F1	To ensure integrity and quality of physical environment underpinned by a coherent spatial development pattern	F1.1	Maintain and improve the environmental integrity of the district and its resources
				F1.2	Implement a functionally structured spatial development pattern guided by identified nodes and corridors through an effective land use management system
				F1.3	Facilitate fully coordinated planning and development activities within district
	Functional Disaster Management Unit	F2	To ensure functional and responsive Disaster Management Unit	F2.1	Conduct an assessment on effectiveness of prevention, mitigation and response to Disasters within the District

## **3.8 SECTION H: ORGANISATIONAL PERFORMANCE REPORT FOR 2015/2016**

### **3.8.1 BACKGROUND**

An Annual Performance Report has been prepared and will be part of the submission together with AFS on the 31 August 2016. There are some areas of the report that still need to be finalised such as the expenditure and backlog figures. Technical Services Department is working on those areas. The Service Providers Assessment report is also presented as part of the Annual Performance Report.

### **3.8.2 PERFORMANCE MANAGEMENT PROCESS**

The Performance Management System (PMS) at Umkhanyakude District Municipality is mainly guided by the Framework (PMS Framework). The PMS Policy will be developed during 2016/2017 as part of cascading PMS to members of extended MANCO. The intention is to ultimately cascade PMS to all employees working for the Municipality.

The Municipality uses the Key Performance model. In the said model all indicators are grouped together under the national key performance areas as per the Systems Act and the local key performance areas as per the Umkhanyakude District Municipality's IDP. The said Model therefore enables the Municipality to assess its performance based on the national and its own local key performance areas.

The following are the five national Key Performance Areas (KPA's) that will be used in the preferred performance management model:

- Institutional Transformation and Development
- Service Delivery and Infrastructure Development;
- Local Economic Development;
- Good Governance and Public Participation; and
- Municipal Financial Viability and Management
- Cross Cutting Interventions

The Department of Cooperative Governance and Traditional Affairs recommended that municipalities should add a sixth KPA which is Cross Cutting Interventions. This KPA addresses issues that are not catered for by the five KPA's mentioned above, such as disaster management, spatial planning and environmental management.

Regular reports were presented at MANCO on a monthly basis. Monthly reports then informed quarterly reports which were validated through performance reviews between the Municipal Managers and those in charge of departments.

### 3.8.3 SUMMARY OF ANNUAL PERFORMANCE REPORT

The performance of departments for Q4 can be summarised as follows:

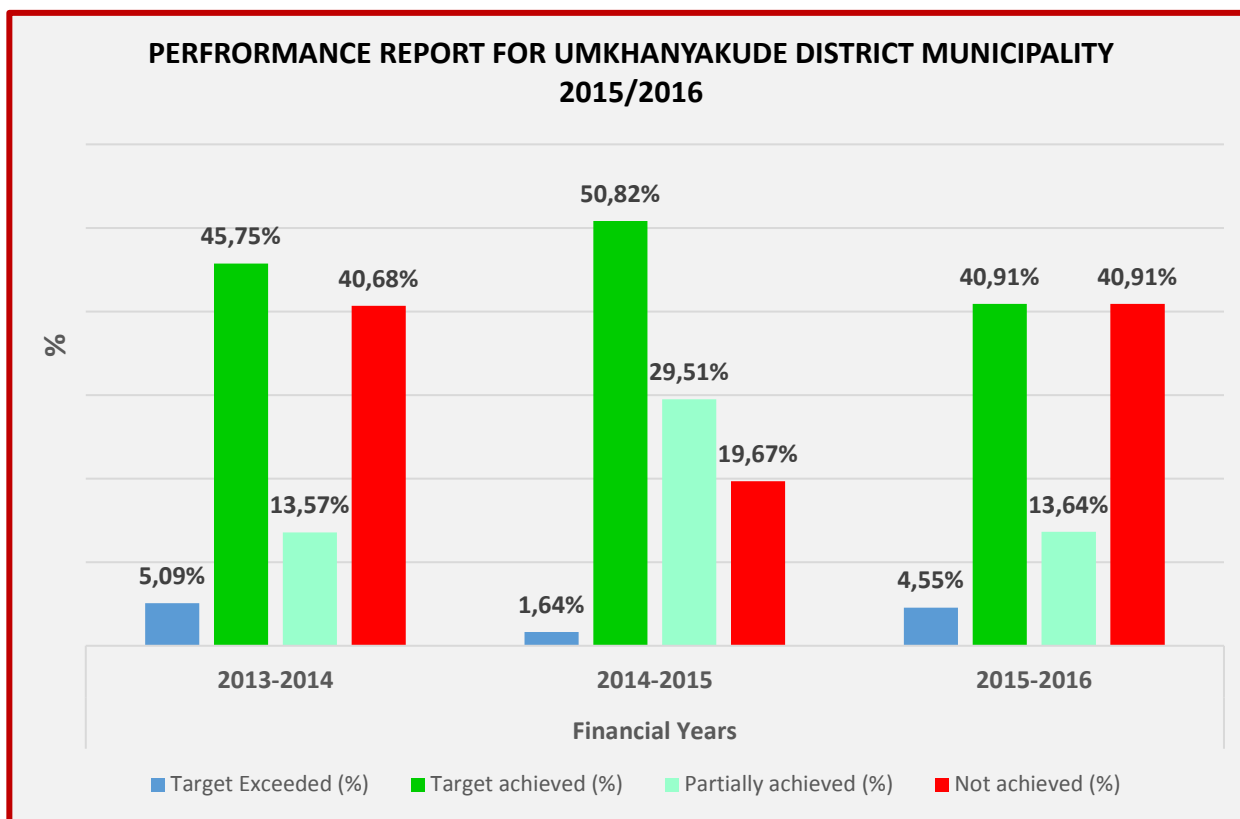
KPAs	Number of Targets	No Budget	Not Achieved	Partially Achieved	Target Achieved	Target Exceeded
<b>Municipal Transformation</b>	4	0	3 (75%)	0	1 (25%)	0
<b>Basic Service Delivery</b>	5	0	1 (20%)	3 (60%)	0	1 (5%)
<b>LED</b>	2	0	0	0	2 (100%)	0
<b>Financial viability</b>	5	0	3 (60%)	0	2 (40%)	0
<b>Good Governance</b>	2	0	1 (50%)	0	1 (50%)	0
<b>Cross Cutting</b>	4	1 (25%)		0	3 (75%)	0
<b>Total</b>	<b>22</b>	<b>1 (4,5%)</b>	<b>8 (36%)</b>	<b>3 (14%)</b>	<b>9 (41%)</b>	<b>1 (4,5%)</b>

- 22 targets were selected to be reported on at an organisational level which were revised down from 34
- One target was not achieved as a result of budget constraints (KPI no 6.1.1)
- 8 targets were not achieved and reasons have been stated and corrective measures thereof
- 3 targets were not fully achieved and corrective measures have been stated for such
- 10 targets were achieved representing 46% of the overall targets (this includes 1 target that was exceeded)
- The service providers assessment report indicate that set targets have been achieved

### 3.8.4 COMPARISON WITH PREVIOUS FINANCIAL YEARS

Details	Financial Years		
	2013-2014	2014-2015	2015-2016
Target Exceeded (%)	5,09	1,64	4,55
Target achieved (%)	45,75	50,82	40,91
Partially achieved (%)	13,57	29,51	13,64
Not achieved (%)	40,68	19,67	40,91

- The achievement of targets over the past 3 financial years is around 47%
- Targets exceeded are around 4% in the past 3 financial years
- Targets partially achieved over the past 3 years is about 16%
- Over the past 3 years the average percentage for targets not achieved is 34%
- Overall the Municipality is struggling to achieve set objectives



### 3.8.5 SERVICE PROVIDERS ASSESSMENT

#### Service Providers Assessment

Period: 2015/2016

Assessment Key	
Good (G)	The service has been provided at acceptable standards and within the time frames stipulated in the SLA/Contract
Satisfactory (S)	The service has been provided at acceptable standards and outside of the timeframes stipulated in the SLA/Contract
Poor (P)	The service has been provided below acceptable standards

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year 2014/2015		Current Financial Year 2015/2016		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
SCMU 006/2014/2015	WSSA	28 May 2015	MANAGEMENT, OPERATION & MAINTENANCE OF WATER & WASTEWATER TREATMENT	R 48,806,749.43							✓
SCMU 011/2014/2015	Shula Construction	02 December 2015	JOZINI REGIONAL CWS - CONSTRUCTION OF 4.6 KM LONG 800/700/200MM DIAMETER WELDED STEEL PIPELINES AND 100KL ELEVATED TANK	R22 266 070.22	R15 000 000	R0,00	R30 000 000	R2,185,505.12	✓		
SCMU 003/2015/2016	Bosch Munitech	25 November 2015	MTUBATUBA EMERGENCY WATER SUPPLY PROJECT - DESIGN AND INSTALLATION OF SUBSURFACE WATER ABSTRACTION AT UMFOLOZI RIVER AND ASSOCIATED WORKS	R 11,158,146.72	R0.00	R0.00	R11 158 146.72	R 8 929 034.72	✓		
2011 MIGFDC27195769	City Park Trading 305 CC	08 July 2013	KWAJOBE WATER RETICULATION PHASE 2	R14 482 690.53	R10 000 000	R16,824,332.81	R3 000 000	R0.00			✓
SCMU 035/2012/2013	ICON CONSTRUCTION	26 September 2013	Shemula water treatment works	R43 824 344.11		R41 213,373.34	R15 000 000	R17, 167, 293.08	✓		

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year 2014/2015		Current Financial Year 2015/2016		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
SCMU 137/2012	SOMKHANDA PLANT HIRE	15 November 2013	Mpukunyoni CWSS Remedial Works and upgrade	R8 920 264.94		R3,650,197.64		R375,893.60		✓	
SCMU 007/2013/2014	EYETHU TRANSLODGE & PLANT HIRE	5 February 2014	Mkuze Water Treatment Works	R37 909 537.11		R 4,690 ,651.00					✓
SCM 136/1	MKT CONSTRUCTION	01 AUGUST 2012	Construction of Hlabisa Mandlakazi Water Supply Scheme Secondary Bulk and Reticulation	R27 172 904.10		R1,846,770.59		R359 ,8547.64			✓
SCM136/2	ZIQOQE CONSTRUCTION	01 AUGUST 2012	Construction of Hlabisa Mandlakazi Water Supply Scheme Secondary Bulk and Reticulation	R 25 730 553.14		R0.00		R0,00			✓
SCM 136/3	MAGEDLA CONSTRUCTION	01 AUGUST 2012	Construction of Hlabisa Mandlakazi Water Supply Scheme Secondary Bulk and Reticulation	R12 007 323.00		R0.00		R1,807,321.74	✓		
SCM 136/4	DEE DEE ENTERPRISES	01 AUGUST 2012	Construction of Hlabisa Mandlakazi Water Supply Scheme Secondary Bulk and Reticulation	R11 840 769.69		R1,011,491.23		R740,540.17		✓	
SCM 136/5	MAKHATHINI PROJECTS	01 AUGUST 2012	Construction of Hlabisa Mandlakazi Water Supply Scheme Secondary Bulk and Reticulation	R33 892 158.87		R0.00		R11, 579, 608.86	✓		
	NEW HEIGHTS CONSTRUCTION		Hluhluwe Water Phase 1	R38 867 955.00		R1,337,458.51		R460,692.76			✓
	MAKHETHA DEVELOPMENT CONSULTANTS		Ingwavuma VIP Sanitation	R142 588 855.43		R14, 965 ,503.48		R31,231,460.96	✓		
	JEFFERSON AND GREEN		Manguzi Star of the Sea Water Scheme	R148 948 612.24		R0.00		R4,817,811.93		✓	
	UWP		Mtubatuba VIP Sanitation Project	R113 763 013.00		R10,238 ,933.42		R19,020,789.67	✓		
			Rudimentary Program 6 UKDM	R28 500 000.00		R0.00		R26,184,254.64			
			Rehabilitation of existing Shemula Water Scheme	R27 236 880.00		R0.00		R1,491,234,00			
			Rehabilitation of existing Jozini Water Scheme	R 5 146 41.00		R0.00		R 1,924.062.26			



Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year 2014/2015		Current Financial Year 2015/2016		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
	ZIYANDA CONSULTING		Thembaletu Sanitation	R100 918 806.75		R		R302,401.08		✓	
			WCWDM Programme within UKDM	R299 119 350.73		R0.00		R49,866,191.33	✓		
			Refurbishment & Upgrades of WWTW and sewer networks	R 28 500 000.00		R0.00					
			Bhoboza to KwaMsane GravityMain Project (Drought)	R 3 912 792.00							✓

### 3.8.6 WAY FORWARD

- Targets that have not been achieved need an in depth analysis with a view to establishing the root cause for poor performance
- Targets not achieved have not achieved are unacceptably high and must be reduced
- Performance Management System needs to be cascaded to all levels of the Municipality

## Annual Performance Report – 2015/2016

UMKHANYAKUDE DISTRICT MUNICIPALITY																				
ANNUAL PERFORMANCE REPORT - 2015/2016																				
KPA	GOAL	OBJECTIVE	STRATEGY	KPI NO	KPI	TARGET	UNIT OF MEASURE/ CALCULATIONS	BUDGET		BASIC SERVICE DELIVERY			TARGET 2014-2015		TARGET 2015-2016		COMMENTS	CORRECTIVE MEASURES	RATING	RESPONSIBILITY
								PROJECTED	ACTUAL	DEMAND	BASLINE	BACKLOG	PROJECTED	ACTUAL	PROJECTED	ACTUAL				
MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT	Human Resources Development	1.1 To provide effective and efficient Human Resources Management aimed at achieving a skilled workforce that is responsive to Service delivery and change	Council Adoption of the Human Resources Development Strategy	1.1.1	Council adopted HRD Strategy		Date	R 0,00	R 0,00				30-Jun-15	0	30-Jun-16	0	COGTA Capacity Building Unit is assisting the Municipality with the development of the HRD Strategy	Upon completion; the Strategy will be submitted to Council for adoption	Not achieved	Corporate Services
			Council Adoption of Workplace Skills Plan	1.1.2	Council adopted WSP	Council adopted WSP by 31 March 2016	Date	R 0,00	R 0,00				100%	100%	31-Mar-16	0	The Department is in the process of developing the draft WSP	None	Not achieved	Corporate Services
			Implementation of Work Place Skills Plan (WSP)	1.1.3	Percentage of budget spent on WSP	100% of the budget spent by 30 June 2016	Percentage	R 0,00	R 0,00				100%	100%	100%	100%	The Municipality implemented 100% of the revised budget although not all projected targets were implemented	There is no budget on the 2016/2017 financial year. The Municipality will only implement training interventions approved as part of the discretionary grant	3	Corporate Services
			Council adoption of Employment Equity Plan	1.1.4	Developed and submitted EE Plan to Council for adoption	Council adopted EE Plan by 31 December 2015	Date	R 0,00	R 0,00				31-May-15	31-May-15	31-Dec-15	0	The process is incomplete as COGTA is providing support	The EE Plan process will be restarted in the next financial year (16/17)	Not achieved	Corporate Services
BASIC SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT	High quality infrastructure network to support human resource development and economic growth	2.3 Provision of reliable, cost effective, efficient and sustainable free basic services	Provision of free basic water	2.3.1	Number of households earning less than R1100 per month with access to free basic water	(3000 households that would benefit from stand pipes provided free basic water by 30 June 2016; 10% of backlog)	Number			128 195 HHs	68 195 HHs	60 000 HHs	Different target to 2015/2016	Different target to 2015/2016	3000 hh	809	Household has access to water to piped within the areas of KwaJobe, Installation of boreholes and Mthlwahe Phase 4	The challenge of reliability of water sources as a result of drought needs urgent attention through boreholes and consideration of other sources outside the District	1	Technical Services
									R 210 000 000,00	R 236 793 378,07										
		Provision of free basic sanitation	2.3.2	Number of households earning less than R1100 per month with access to free basic sanitation	(1400 households that would benefit from VIP toilets provided free basic sanitation by 30 June 2016; 10% of backlog)	Number			128 195 HHs	104 607 HHs	23 588 HHs	3000 hh	2519 hh	1400 hh	4591	4591 VIP toilets has been completed as of June 2016 benefitting the areas of Ingwavuma Mthabatha and Jozini Wards 4 & 20		4	Technical Services	
		Bulk water purchases from DWS and other water service provision	2.4.1	Number of litres purchased	24 million m³ purchased by 30 June 2016	Number	R 48 405 000,00	R 32 308 110,38				Different target to 2015/2016	Different target to 2015/2016	24 million m³	13,9 million m³	Due to drought some of the plants were not operating to full capacity	Historical data will be used to properly estimate the desired target	2	Technical Services	
		2.4 To ensure uninterrupted water and sanitation provision	Progress report on rehabilitation or repairing and maintenance of existing water schemes for water provision	2.4.2	Number of reports on repairs for water schemes submitted to the Technical Services portfolio committee	4 reports submitted by 30 June 2016	Number	R 30 356 000,00	R 19 237 168,51				Different target to 2015/2016	Different target to 2015/2016	4	1	The Operations and Maintenance Plan was not properly funded	The O & M Plan will be aligned with the available budget	1	Technical Services
			Progress report on rehabilitation or repairing and maintenance of electricity infrastructure in Ingwavuma and KwaMsane	2.4.3	Number of reports on electricity repairs submitted to the Technical Services portfolio committee	4 reports submitted by 30 June 2016	Number	R 584 000,00	R 293 399,11	128 195 HHs	56 406 HHs	71 789 HHs	Different target to 2015/2016	Different target to 2015/2016	4	2			Not achieved	Technical Services
LOCAL ECONOMIC DEVELOPMENT	Expanded district economic output and increased quantity and quality of employment opportunities	3.1 Create an enabling environment to attract investment that generates economic growth and job creation	Job creation through capital projects	3.1.1	Number of jobs created	400 by 30 June 2016	Number	R 0,00	R 0,00				173 Jobs	173 Jobs	400 Jobs	400 Jobs			3	Technical Services
			Job creation through EPWP	3.1.2	Number of jobs created	60 Jobs created by 30 June 2016	Number	R 0,00	R 0,00				55 Jobs	75 Jobs	60 Jobs	60 Jobs			3	Planning & Economic Development
FINANCIAL VIABILITY AND MANAGEMENT	Revenue and cash management	4.1 To improve revenue and cash management capability	Efficient management of Outstanding Service Debtors to Service Revenue ratio	4.1.1	Outstanding Service Debtors to Service Revenue Ratio maintained	Outstanding Service Debtors to Service Revenue ratio maintained at less than 0.5 throughout the 2015/2016 FY	Ratio	R 0,00	R 0,00				Different target to 2015/2016	Different target to 2015/2016	<0.5	0	A service provider has been engaged to assist with a Data Cleansing Exercise. It is expected that upon completion of the Data Cleansing Exercise, it is expected that upon completion of the Data Cleansing Exercise, customer billing will be accurate with improved collections. Furthermore internal process is underway to create an indigenet register	Data cleansing has not been concluded and implemented. However, the service provider has been engaged to assist in this regard.	Not achieved	Financial Services
			Efficient management of Debt management Ratio	4.1.2	Debt Coverage Ratio	More than 1 Debt coverage Ratio maintained throughout the 2015/2016 FY	Ratio	R 0,00	R 0,00				Different target to 2015/2016	Different target to 2015/2016	>1	0			Not achieved	Financial Services
	Expenditure Management	4.2 To ensure efficient expenditure management	Efficient management of Cost Coverage Ratio	4.2.1	Cost Coverage Ratio achieved	More than 1 Cost Coverage Ratio maintained throughout the 2015/2016 FY	Ratio	R 0,00	R 0,00				Different target to 2015/2016	Different target to 2015/2016	>1	0			Not achieved	Financial Services
			Ensure 100% commitment on MIG and OPEX annual expenditure programmes and report quarterly to the Technical services portfolio committee	4.2.2	Percentage of budgeted amount committed on OPEX	100% of OPEX spent by 30 June 2016	Percentage	R 0,00	R 0,00				100%	100%	100%	100%			3	Financial Services
				4.2.3	Percentage of budgeted amount committed on MIG	100% of MIG spent by 30 June 2016	Percentage	R 0,00	R 0,00				100%	79%	100%	100%			3	Technical Services
GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Excellence in Governance and Leadership	5.1 To improve the quality of lives for people within Umkhanyakude District	Progress report on implementation of Operation Sukuma Sabe (OSS) Support Programmes (back to basics)	5.1.1	Number of update reports submitted to Council on Operation Sukuma Sabe	4 reports submitted by 30 June 2016	Number	R 0,00	R 0,00				Different target to 2015/2016	Different target to 2015/2016	4 reports	4 reports			3	Community Services
			Establish Risk Management Committee	5.1.2	Date of establishing the Risk Management Committee	Risk Management Committee established by 31 August 2015	Date	R 0,00	R 0,00				Different target to 2015/2016	Different target to 2015/2016	31-Aug-15	0	Lack of stability in the Office of the MM affected the functioning of the Committee	Risk Management function will be given a closer focus in the next coming financial year (16/17)	Not achieved	Municipal Manager

CROSS CUTTING INTERVENTIONS	Disaster Management	6.1 To ensure a Functional District Disaster management Centre	Preparation of reports on Emergency Response to incidents occurring in the District	6.1.1	Number of reports on support to Local Municipalities with emergency relief stock submitted to the ExCo	Quarterly reports on support given to LMs submitted to the ExCo	Number	R 0,00	R 0,00				4 reports	4 reports	4 reports	0	No funds of buying relief stock, we used little stock from PDMC	To source funding for buying enough relief stock	No Budget	Community Services																				
	Integrity and quality of its natural environment underpinned by a coherent spatial development pattern	6.2 Implement a functionally structured spatial development pattern guided by identified nodes and corridors through an effective land use management system	Council adoption of reviewed of Spatial Development Framework	6.2.1	Date of Council adoption of reviewed SDF	Reviewed SDF adopted by 31 May 2016	Date	R 0,00	R 0,00				31-May-15	31-May-15	31-May-16	31-May-16			3	Planning & Economic Development																				
		6.3 To facilitate and coordinate Effective & efficient municipal spatial planning & land use management systems within the District Municipal area	Submission of reports to ExCo on Coordination of the Implementation of the Spatial Planning & Land Use Management Act (SPLUMA) in the DM	6.3.1	Number of EXCO Approved Quarterly SPLUMA Implementation Reports	4 SPLUMA implementation reports submitted to Exco by 30 June 2016	Number	R 0,00	R 0,00				4 reports	4	4 reports	4			3	Planning & Economic Development																				
			Appointment of DC 27 Municipal Planning Tribunal (MPT)	6.3.2	Date of appointment of DC 27 Municipal Planning Tribunal (MPT)	MPT appointed by 31 August 2015	Date	R 0,00	R 0,00				Different target to 2015/2016	Different target to 2015/2016	31-Aug-15	31-Aug-15			3	Planning & Economic Development																				
	TOTAL								R 289 345 000,00	R 288 632 056,07	100%																													
ANALYSIS OF PERFORMANCE - PERFORMANCE REPORT - 2015/2016 FY																																								
<div><div>ANNUAL PERFORMANCE REPORT FOR 2015/2016</div><div><table><thead><tr><th>Category</th><th>Percentage</th></tr></thead><tbody><tr><td>Expenditure</td><td>100%</td></tr><tr><td>Not Due</td><td>0%</td></tr><tr><td>No Budget</td><td>5%</td></tr><tr><td>Not Achieved</td><td>36%</td></tr><tr><td>Basic</td><td>9%</td></tr><tr><td>Basic 2</td><td>5%</td></tr><tr><td>Competent</td><td>41%</td></tr><tr><td>Advanced</td><td>5%</td></tr><tr><td>Superior</td><td>0%</td></tr></tbody></table></div></div>																					Category	Percentage	Expenditure	100%	Not Due	0%	No Budget	5%	Not Achieved	36%	Basic	9%	Basic 2	5%	Competent	41%	Advanced	5%	Superior	0%
Category	Percentage																																							
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Out of 22 targets, 10 were achieved including one target for basic sanitation that was exceeded																																								

## CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

### 4.1 SECTION A: MUNICIPAL PERFORMANCE OVERVIEW

Employee Totals (as per the approved organogram)	Board and General <b>(12)</b> Corporate Services <b>(38)</b> Community Services <b>(35)</b> Financial Services <b>(61)</b> Technical Services <b>(251)</b> PED <b>(15)</b> Casual Workers <b>(15)</b>
<b>Total</b>	<b>412 (excluding casual workers)</b>
Turnover	Deaths <b>(01)</b> Resignations <b>(05)</b> Retirements <b>(16)</b> Expiry of Contracts <b>(03)</b> Dismissals <b>(03)</b>
<b>Total</b>	<b>28</b>
Vacancies (as per the approved organogram)	Board and General <b>(04)</b> Corporate Services <b>(04)</b> Community Services <b>(03)</b> Financial Services <b>(21)</b> Technical Services <b>(19)</b> PED <b>(03)</b>
<b>Total</b>	<b>57</b>

### 4.2 SECTION B: MANAGING EMPLOYEE WORKFORCE

#### Policies

UMkhanyakude District Municipality has developed a number of policies that deal with the management of human resources and administration. The following policies were developed:

#### Human Resources Management Policies

- Hours of Work Policy
- Overtime Policy
- Benefits and Allowances Policy
- Acting Allowance Policy
- Cellular Phones Policy
- Transport Allowance Policy
- Remuneration Policy
- Long Service Benefit Policy
- Subsistence and Traveling Policy
- Leave of Absence Policy
- Health and Safety Policy

- Employee Assistance Programme Policy
- HIV and AIDS Policy
- Training Policy
- Internship Policy
- Employment Relations Policy
- Incapacity Code and Procedures
- Sexual Harassment Policy
- Racial and Ethnic Harassment Policy
- Employee Study Assistance Policy
- Termination of Employment Policy
- Recruitment and Selection Policy
- Staff Retention Policy
- Employment Equity Policy
- Human Resources Management Policy
- Records Management Policy
- Information Technology Security Policy
- Use of Internet and Email
- Telephone - Private Calls Policy
- Municipal Housing Scheme and Assistance Policy
- Motor Vehicle Usage Policy

#### **Administration Policies**

- IT Security Policy (Firewall Policy under IT Security Policy)
- Backup Policy
- IT Change Management Policy
- IT Disaster Recovery Plan.
- IT Patch Management Policy

#### **Occupational Injuries and Diseases**

<b>Employee</b>	<b>Occupation</b>	<b>ID Number</b>	<b>Accident</b>	<b>Brief Description</b>	<b>Date</b>	<b>Submission to DOL</b>
Mr. T. Ndelu	Driver	720626 5897 08 8	Finger Injury	Slammed by the car door	06-Jul-015	No referral. First Aid Treatment
Mr. S. Ndimande	Grounds man	850610 5742 08 2	Eye Injury	Injured himself while starting the backup engine	13-Aug-015	Referred to Mkuze clinic for First Aid Treatment
Mr. S. Gumbi	Process Plant Operator	WSSA	Bruising and Trauma	Attacked by three armed men while he was performing his duties at night in Jozini Water Treatment Plant	30-Sep-015	Referred to hospital and claim submitted to DoL in compliance with GA Regulation 8 of 2003

## CHAPTER 5: FINANCIAL PERFORMANCE

### 5.1 STATEMENT OF FINANCIAL PERFORMANCE

DC27 Umkhanyakude - Statements of Financial Performance							
Description	2014/15	Current Year 2015/16			2015/16 Variance		Notes
R Thousands	Audited Outcome	Original Budget	Adjusted Budget	Actual	Original Budget %	Adjustments Budget %	
<b>Financial Performance</b>							
Property rates	–	–	–	–	–	–	
Service charges	32 562	48 063	34 398	23 334	51%	32%	
Investment revenue	1 378	1 085	2 500	12 612	-1062%	-404%	a
Transfers recognised - operational	237 422	284 387	288 142	299 771	-5%	-4%	b
Other own revenue	13 914	33 290	43 692	34 597	-4%	21%	c
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>285 276</b>	<b>366 825</b>	<b>368 732</b>	<b>370 314</b>			
Employee costs	119 627	135 491	125 330	132 792	2%	-6%	
Remuneration of councillors	6 721	11 409	7 076	6 446	44%	9%	
Depreciation & asset impairment	(4 278)	63 118	57 413	48 724	23%	15%	d
Finance charges	6 227	317	707	2 352	-642%	-233%	
Materials and bulk purchases	127 193	92 310	91 484	106 823	-16%	-17%	e
Contracted services	32 052	18 309	16 809	31 036	-70%	-85%	
Transfers and grants	–	3 828	3 000	–	0%	0%	f
Other expenditure	106 416	42 043	66 912	118 413	-182%	-77%	
<b>Total Expenditure</b>	<b>393 958</b>	<b>366 825</b>	<b>368 731</b>	<b>446 584</b>			
<b>Surplus/(Deficit)</b>	<b>(108 681)</b>	<b>–</b>	<b>1</b>	<b>(76 270)</b>			
Transfers recognised - capital	153 746	207 653	203 898	222 693	-7%	-9%	
Contributions recognised - capital & contributed assets	–	44 520	32 076	–	–	–	
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>45 065</b>	<b>252 173</b>	<b>235 975</b>	<b>146 423</b>			
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	
<b>Surplus/(Deficit) for the year</b>	<b>45 065</b>	<b>252 173</b>	<b>235 975</b>	<b>146 423</b>			
<b>Capital expenditure &amp; funds sources</b>							
<b>Capital expenditure</b>	<b>153 746</b>	<b>252 173</b>	<b>235 974</b>	<b>222 693</b>	<b>12%</b>	<b>6%</b>	
Transfers recognised - capital	153 746	252 173	235 974	222 693	12%	6%	
Public contributions & donations	–	–	–	–	–	–	
Borrowing	–	–	–	–	–	–	
Internally generated funds	–	–	12 274	–	–	–	
<b>Total sources of capital funds</b>	<b>153 746</b>	<b>252 173</b>	<b>248 248</b>	<b>222 693</b>	<b>12%</b>	<b>10%</b>	
<b>Financial position</b>							
Total current assets	254 127	107 812	65 370	301 794	-180%	-362%	g
Total non current assets	1 515 735	1 433 484	1 433 484	1 662 545	-16%	-16%	
Total current liabilities	227 345	102 084	68 722	287 328	-181%	-318%	h
Total non current liabilities	12 179	7 578	7 578	13 091	-73%	-73%	
Community wealth/Equity	1 530 337	1 683 807	1 683 807	1 663 918			
<b>Cash flows</b>							
Net cash from (used) operating	36 570	270 770	195 457	250 918	7%	-28%	
Net cash from (used) investing	(52 467)	(237 103)	(288 371)	(231 364)	2%	20%	i
Net cash from (used) financing	5 500	(1 258)	(1 258)	(836)	34%	34%	
<b>Cash/cash equivalents at the year beginning</b>	<b>11 378</b>	<b>12 696</b>	<b>12 696</b>	<b>13 805</b>			
<b>Cash/cash equivalents at the year end</b>	<b>981</b>	<b>45 105</b>	<b>(81 476)</b>	<b>32 523</b>	<b>28%</b>	<b>140%</b>	
<b>Cash backing/surplus reconciliation</b>							
Cash and investments available	981	25 289	18 859	32 523	-29%	-72%	
Application of cash and investments	33 540	19 036	63 355	24 812	-30%	61%	
<b>Balance - surplus (shortfall)</b>	<b>(32 559)</b>	<b>6 253</b>	<b>(44 496)</b>	<b>7 712</b>	<b>-23%</b>	<b>117%</b>	
<b>Asset management</b>							
Asset register summary (WDV)	512	1 537 974	1 537 974	1 661 593			
Depreciation & asset impairment	27 982	24 607	28 204	36 515	-48%	-29%	
Renewal of Existing Assets	128 373	296 693	78 538	231 339	22%	-195%	
Repairs and Maintenance	–	29 072	30 934	33 222	-14%	-7%	
a to i: high percentages are as a result of underbudgeting for corresponding items.							

a to i: high percentages are as a result of underbudgeting for corresponding items.

UMkhanyakude District Municipality budgeted the amount of R366 million operating revenue in 2015-2016, during the period of the adjustment budget it was adjusted to R386 million. The actual amount of the operating revenue is R 341 million. This is equals to 7% which is less than the adjustment budget

amount. This is a result of the municipality under collecting on the revenue for the service charges. The municipality is in a rural area with high level of unemployment.

The municipality budgeted the operational expenditure of R366 million, and it was adjusted to R368 million during the adjustment period. The actual operating expenditure is R433 million, which is 17% higher than the budgeted amount. There has been an over expenditure on repairs and maintenance as the infrastructure assets of the municipality requires agent maintenance due to wear and tear.

The original capital budget was R252 million and it was adjusted to R235 million during the adjustment period, there was an addition of R12 million roll over from the prior year. The total of capital budget then amounted to R248 including the roll over. The total amount was all spent on the capital project for the municipality.

## 5.2 FINANCIAL PERFORMANCE OF OPERATIONAL SERVICES

DC27 Umkhanyakude Financial Performance of Operational Services							
	Dec-15	Current Year 2015/16			2015/16 Variance		Notes
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Actual	Original Budget %	Adjustments Budget %	
<b>Expenditure - Standard</b>							
<b>Governance and administration</b>	<b>171 766</b>	<b>120 106</b>	<b>233 401</b>	<b>217 172</b>			
Executive and council	38 619	24 418	139 526	143 990	-83%	-3%	
Budget and treasury office	48 145	55 002	59 527	47 502	16%	25%	
Corporate services	85 002	40 686	34 348	25 680	58%	34%	
<b>Community and public safety</b>	<b>19 028</b>	<b>21 054</b>	<b>15 830</b>	<b>2 358</b>	<b>793%</b>	<b>571%</b>	
Community and social services	19 028	21 054	15 830	2 358	793%	571%	
Sport and recreation	–	–	–	–	–	–	
Public safety	–	–	–	–	–	–	
Housing	–	–	–	–	–	–	
Health	–	–	–	–	–	–	
<b>Economic and environmental services</b>	<b>45 682</b>	<b>39 411</b>	<b>62 770</b>	<b>5 098</b>	<b>673%</b>	<b>1131%</b>	
Planning and development	45 682	39 411	62 770	5 098	673%	1131%	a
Road transport					–	–	
Environmental protection	–	–	–	–	–	–	
<b>Trading services</b>	<b>164 600</b>	<b>186 253</b>	<b>56 730</b>	<b>208 517</b>	<b>-11%</b>	<b>-73%</b>	
Electricity	32 799	22 472	21 455	29 794	-25%	-28%	b
Water	129 602	161 482	33 527	178 723	-10%	-81%	
Waste water management	2 199	2 299	1 748		–	–	
Waste management					–	–	
<b>Other</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	
<b>Total Expenditure - Standard</b>	<b>401 076</b>	<b>366 824</b>	<b>368 731</b>	<b>433 144</b>	<b>-15%</b>	<b>-15%</b>	
a and b: high percentages are as a result of overbudgeting for corresponding departments.							



### 5.3 GRANT PERFORMANCE

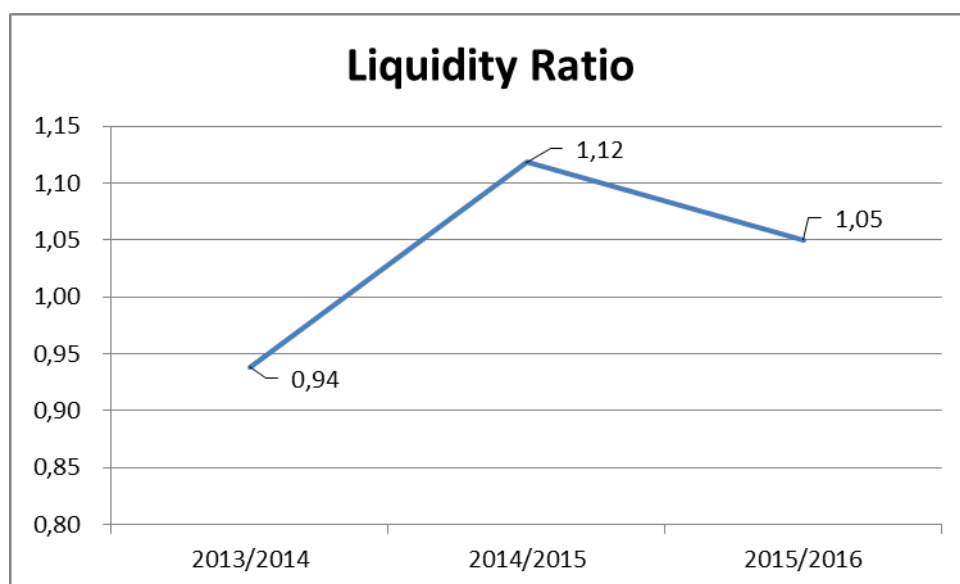
DC27 Umkhanyakude - Grant Performance							
Description	Dec-15	Current Year 2015/16			2015/16 Variance		
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Actual	Original Budget %	Adjustments Budget %	Notes
RECEIPTS:							
<u>Operating Transfers and Grants</u>							
<b>National Government:</b>	<b>232 002</b>	<b>283 287</b>	<b>287 042</b>	<b>276 396</b>			
Local Government Equitable Share	226 252	265 376	265 376	265 376	100%	100%	a
Finance Management	1 250	1 250	1 250	1 250	100%	100%	
Municipal Systems Improvement	934	940	940	940	100%	100%	
Other transfers/grants [insert description]	3 566	15 721	19 476	8 830	56%	45%	
<b>Provincial Government:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23 375</b>			
Shared Service Grant		1 100	1 100	196	18%	18%	
Other transfers/grants [insert description]	-	-	-	23 179			
<b>Total Operating Transfers and Grants</b>	<b>232 002</b>	<b>283 287</b>	<b>287 042</b>	<b>299 771</b>	<b>106%</b>	<b>104%</b>	
*The municipality depends mainly on government grants and subsidies to be fully functional, thus resulting in high allocation of equitable share.							

## 5.4 REPAIRS AND MAINTENANCE

DC27 Umkhanyakude - Repairs and Maintenance 2015/16					
Description	Dec-15	Current Year 2015/16			
	Audited Outcome	Original Budget	Adjusted Budget	Actual	Budget Variance %
Repairs and Maintenance	R 44 215 414,00	R 29 072 459,00	R 30 940 000,00	R 33 221 518,00	-7%
*Over spending on repairs and maintenance is as a result of infrastructure assets that require regular maintenance because of their ageing.					

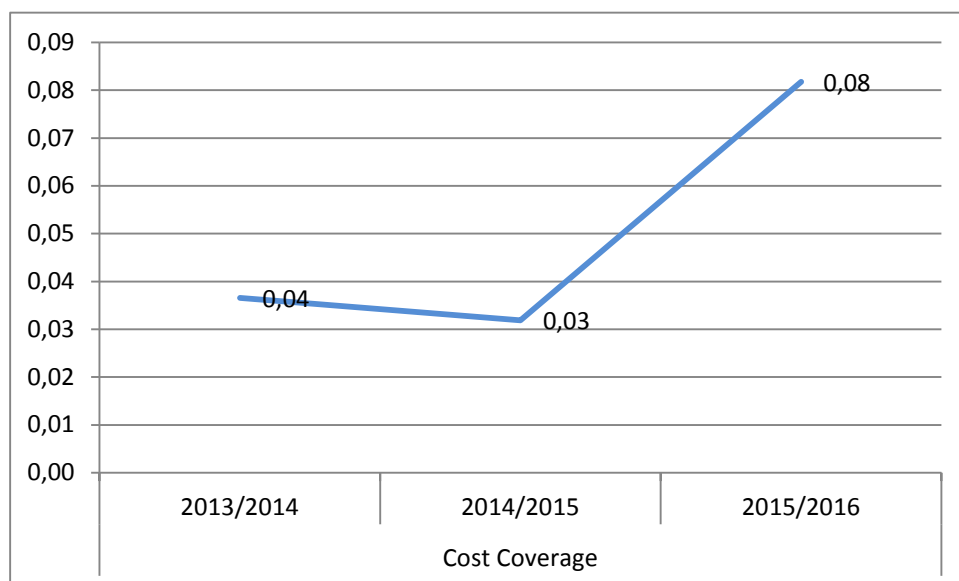
The infrastructure of the municipality is ageing and as a result there is a dire need to spend frequently on repairs and maintenance to ensure that services are rendered.

## 5.5 LIQUIDITY RATIO

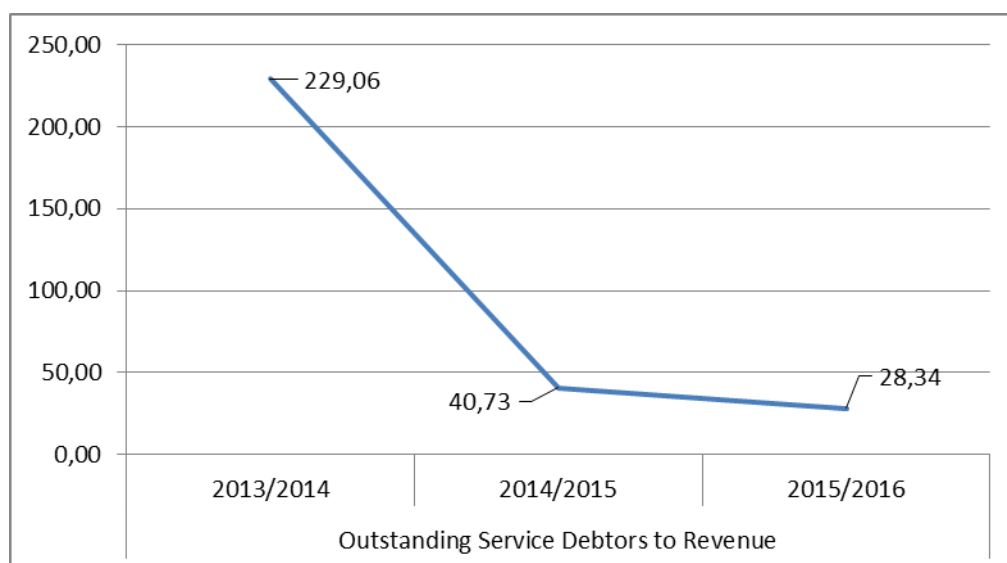


\*In 2015/16 the municipality have ability to pay its debts as they become due is evident, hence the ratio is greater than 1.

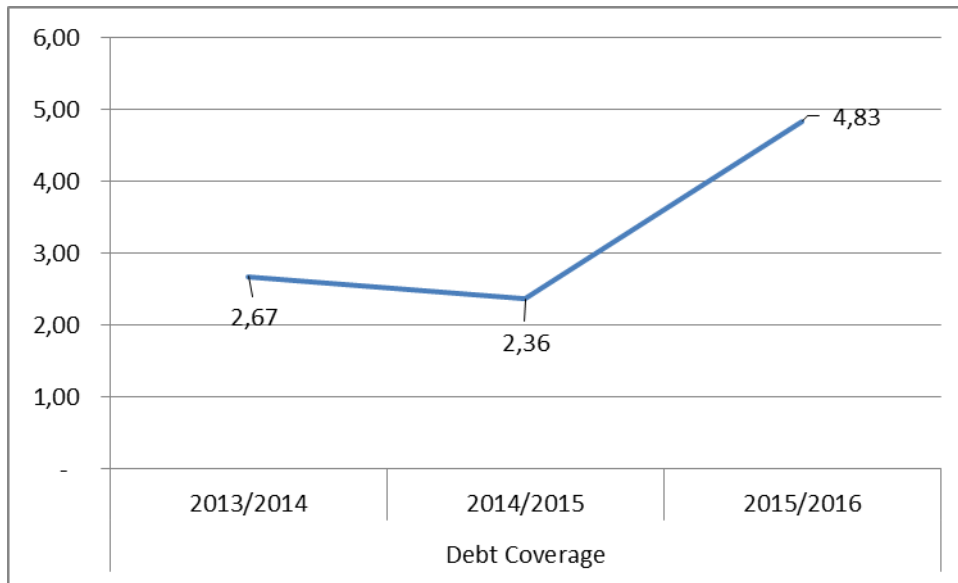
## 5.6 COST COVERAGE



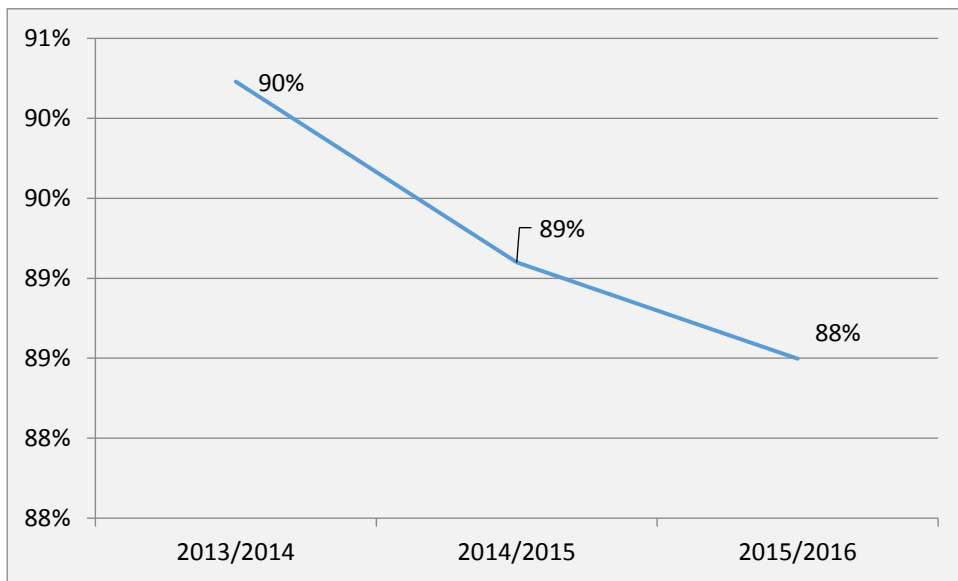
## 5.7 OUTSTANDING SERVICE DEBTORS TO REVENUE



## 5.8 DEBT COVERAGE

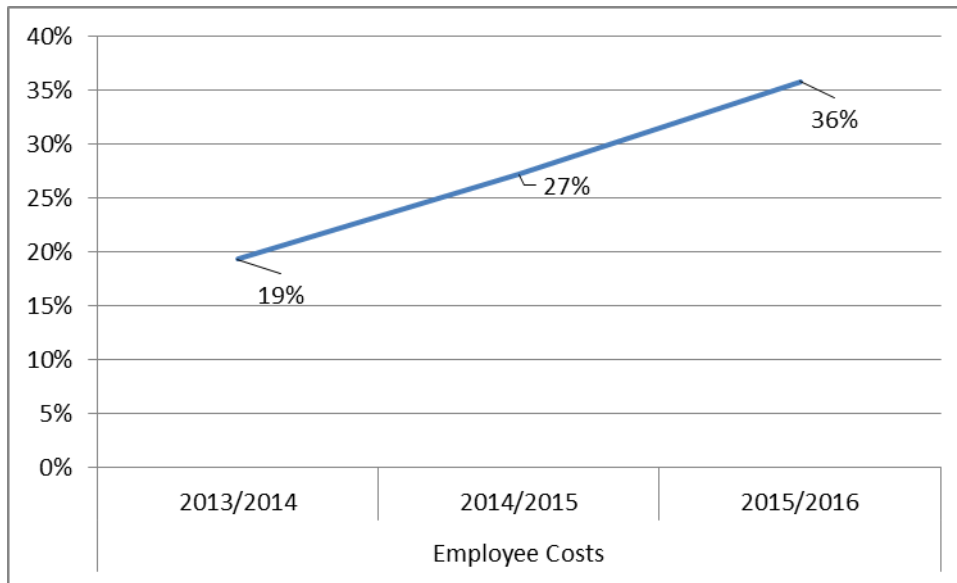


## 5.9 GRANTS AS A PERCENTAGE OF REVENUE RECEIVED

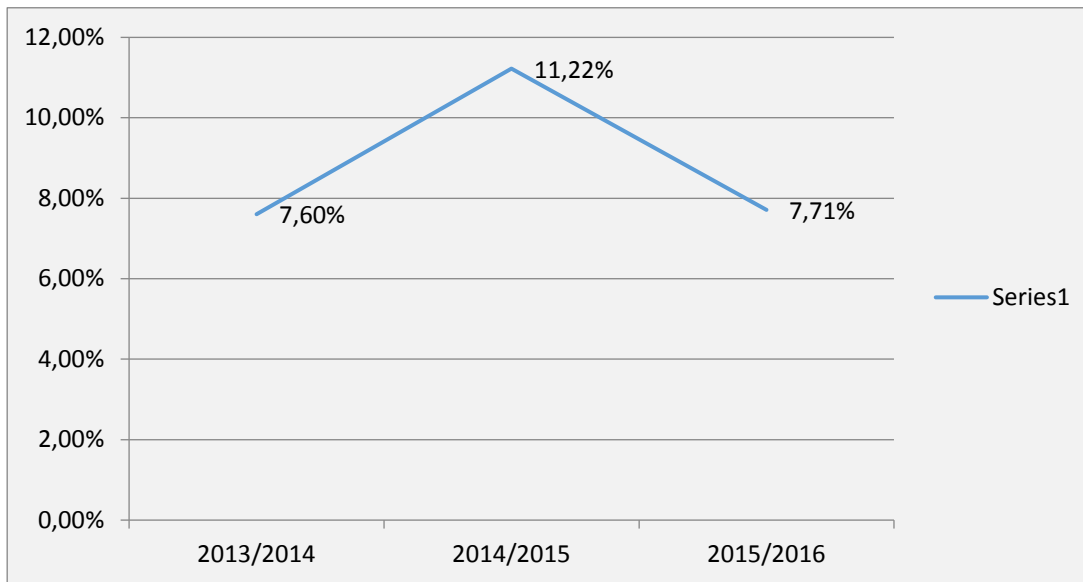


The total grants revenue received amounts to R499 million which equals to 88 per cent of the total revenue received (R564 million) by the municipality. This shows that the municipality mainly depends on grants received.

### 5.10 EMPLOYEE COST AS PERCENTAGE OF REVENUE



### 5.11 REPAIRS AND MAINTENANCE AS PERCENTAGE OF OPERATING EXPENDITURE



The infrastructure of the municipality is ageing and as a result the municipality spend more on repairs and maintenance the infrastructure to ensure that the service is rendered to the community.

**CHAPTER 6: ANNEXURE A - CONSOLIDATED AFS FOR THE YEAR ENDED 30 JUNE 2016**

**CHAPTER 7: ANNEXURE B - AUDITOR GENERAL'S REPORT**

**7.1 ANNEXURE C - AUDIT ACTION PLAN**

**ANNEXURE D - RECOVERY PLAN**

**ANNEXURE E - ANNUAL REPORT FOR UMHLOSINGA DEVELOPMENT AGENCY**

# **ANNEXURE A**

**CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**



Umkhanyakude District Municipality and its Municipal Entity  
Consolidated Annual Financial Statements  
for the year ended 30 June 2016



# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## General Information

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### Legal form of entity

DC27 Umkhanyakude District Municipality  
Umhlosinga Development Agency - Municipal Entity and wholly owned subsidiary of Umkhanyakude District Municipality

### Mayoral committee

Executive Mayor

Cllr Vilane SJ (Mayor)  
Cllr Swartz CG (Deputy Mayor)  
Cllr Mavimbela HGS (Speaker) - Ex Officio  
Cllr Nxumalo SH (Exco Member)  
Cllr Moodley GP (Exco Member)  
Cllr Zungu MC (Exco Member)

### Councillors

Cllr Gumbi DL  
Cllr Hlabisa VF  
Cllr Khumalo LV  
Cllr Khumalo SR  
Cllr Langa ME  
Cllr Mabuyakhulu PJ  
Cllr Mathenjwa SM  
Cllr Mathonsi ZW  
Cllr Mdaka SF  
Cllr Mkhombo TS  
Cllr Mkwanaqi MQ  
Cllr Mngomezulu BZ  
Cllr Mthethwa B  
Cllr Mthethwa SP  
Cllr Msane MS  
Cllr Msweli MCF  
Cllr Ngema TN  
Cllr Ntsele MJ  
Cllr Nxumalo MW  
Cllr Sangweni MB  
Cllr Shobede MZ  
Cllr Zikhali AT  
Cllr Madlopha BP

### Accounting Officer

Mokhatla TZ (Acting)

### Chief Finance Officer (CFO)

Ngcobo M (Acting CFO)

### Business address

Harlingen No. 13433  
Kingfisher Road  
Mkuze  
3965

### Postal address

P.O Box 449  
Mkuze  
3965

### Bankers

First National Bank - Primary and Call Accounts  
ABSA  
Ithala Bank

### Auditors

Auditor-General South Africa

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Index

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The reports and statements set out below comprise the consolidated annual financial statements presented to the Provincial legislature:

<b>Index</b>	<b>Page</b>
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Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8 - 10
Accounting Policies	11 - 25
Notes to the Consolidated Annual Financial Statements	26 - 65

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements and was given unrestricted access to all financial records and related data.

The consolidated annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The consolidated annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the economic entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The municipality is wholly dependent on the grant allocations through Division of Revenue Act (DORA) for continued funding of operations. The consolidated annual financial statements are prepared on the basis that the municipality is a going concern and that Umkhanyakude District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of operations.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

I also certify that salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office as disclosed in the financial statements below are within the upper limits of the Framework envisaged in Section 219 of the Constitution, read in conjunction with the Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The consolidated annual financial statements set out on pages 4 to 65, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2016 and were signed on its behalf by:

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**T.Z Mokhatla**  
**Accounting Officer (Acting)**

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Position as at 30 June 2016

	Note(s)	Economic entity		Controlling entity	
		2016	2015	2016	2015
		R	Restated*	R	Restated*
			R		R
<b>Assets</b>					
Current Assets					
Inventories	3	136 923 807	160 496 237	136 923 807	160 496 237
Other receivables from exchange transactions	4	3 757 395	1 347 015	3 757 395	1 347 015
VAT receivable	5	46 258 146	18 332 079	45 744 421	18 055 270
Receivables from exchange transactions	6	82 330 805	88 267 156	74 982 319	79 948 740
Cash and cash equivalents	7	32 523 410	13 804 730	27 315 140	12 696 413
		<b>301 793 563</b>	<b>282 247 217</b>	<b>288 723 082</b>	<b>272 543 675</b>
Non-Current Assets					
Property, plant and equipment (including intangible assets)	8	1 661 593 476	1 515 277 149	1 660 976 184	1 514 819 184
Intangible assets	9	365 307	511 562	365 307	511 562
Heritage assets	10	586 000	586 000	586 000	586 000
		<b>1 662 544 783</b>	<b>1 516 374 711</b>	<b>1 661 927 491</b>	<b>1 515 916 746</b>
<b>Total Assets</b>		<b>1 964 338 346</b>	<b>1 798 621 928</b>	<b>1 950 650 573</b>	<b>1 788 460 421</b>
<b>Liabilities</b>					
Current Liabilities					
Payables from exchange transactions	11	250 688 080	226 415 887	249 994 659	223 650 239
Consumer deposits	12	1 193 053	1 180 943	1 193 053	1 180 943
Unspent conditional grants and receipts	13	34 385 211	39 698 335	24 101 775	33 540 298
Defined benefit plan obligation	14	223 000	108 000	223 000	108 000
Current portion of non-current loans	15	839 102	1 499 973	839 102	1 499 973
		<b>287 328 446</b>	<b>268 903 138</b>	<b>276 351 589</b>	<b>259 979 453</b>
Non-Current Liabilities					
Defined benefit plan obligation	14	5 865 940	4 779 000	5 865 940	4 779 000
Non-current loans	15	7 225 468	7 400 108	7 225 468	7 400 108
		<b>13 091 408</b>	<b>12 179 108</b>	<b>13 091 408</b>	<b>12 179 108</b>
<b>Total Liabilities</b>		<b>300 419 854</b>	<b>281 082 246</b>	<b>289 442 997</b>	<b>272 158 561</b>
<b>Net Assets</b>		<b>1 663 918 492</b>	<b>1 517 539 682</b>	<b>1 661 207 576</b>	<b>1 516 301 860</b>
Accumulated surplus		1 663 918 492	1 517 539 682	1 661 207 576	1 516 301 860

\* See Note 34

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Performance

	Note(s)	Economic entity		Controlling entity	
		2016	2015	2016	2015
		R	Restated*	R	Restated*
			R		R
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Service charges	16	23 334 365	32 562 143	23 334 365	32 562 143
Rental of facilities and equipment	17	66 939	75 322	66 939	75 322
Other revenue	18	34 530 556	14 724 441	34 355 684	14 646 286
Interest received	19	12 611 694	9 141 489	12 502 874	9 091 377
<b>Total revenue from exchange transactions</b>		<b>70 543 554</b>	<b>56 503 395</b>	<b>70 259 862</b>	<b>56 375 128</b>
<b>Revenue from non-exchange transactions</b>					
<b>Transfer revenue</b>					
Government grants & subsidies	20	522 463 700	395 174 646	499 263 522	391 167 607
<b>Total revenue</b>		<b>593 007 254</b>	<b>451 678 041</b>	<b>569 523 384</b>	<b>447 542 735</b>
<b>Expenditure</b>					
Employee related costs	21	(132 791 556)	(124 471 296)	(127 407 232)	(119 633 057)
Remuneration of councillors	22	(6 445 539)	(6 721 030)	(6 445 539)	(6 721 030)
Depreciation and amortisation	23	(36 515 366)	(28 269 912)	(36 347 769)	(28 097 711)
Finance costs	24	(2 352 023)	(6 362 222)	(2 225 598)	(6 226 907)
Debt Impairment	25	(12 208 871)	24 621 271	(12 208 871)	24 662 719
Repairs and maintenance	26	(33 221 518)	(46 502 148)	(33 218 155)	(46 454 102)
Bulk purchases	27	(73 600 999)	(89 042 319)	(73 600 999)	(89 042 319)
Contracted services	28	(31 035 955)	(39 597 464)	(13 431 591)	(31 525 197)
General Expenses	29	(118 412 582)	(96 802 013)	(119 731 914)	(101 830 440)
<b>Total expenditure</b>		<b>(446 584 409)</b>	<b>(413 147 133)</b>	<b>(424 617 668)</b>	<b>(404 868 044)</b>
<b>Operating surplus</b>		<b>146 422 845</b>	<b>38 530 908</b>	<b>144 905 716</b>	<b>42 674 691</b>
<b>Surplus before taxation</b>		<b>146 422 845</b>	<b>38 530 908</b>	<b>144 905 716</b>	<b>42 674 691</b>
Taxation	30	44 035	-	-	-
<b>Surplus for the year</b>		<b>146 378 810</b>	<b>38 530 908</b>	<b>144 905 716</b>	<b>42 674 691</b>

\* See Note 34

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
<b>Economic entity</b>		
Opening balance as previously reported	1 453 034 452	1 453 034 452
Adjustments		
Prior period errors (Note 34)	25 974 322	25 974 322
<b>Balance at 01 July 2014 as restated*</b>	<b>1 479 008 774</b>	<b>1 479 008 774</b>
Changes in net assets		
Surplus for the year	38 530 908	38 530 908
Total changes	38 530 908	38 530 908
<b>Restated* Balance at 01 July 2015</b>	<b>1 517 539 682</b>	<b>1 517 539 682</b>
Changes in net assets		
Surplus for the year	146 378 810	146 378 810
Total changes	146 378 810	146 378 810
<b>Balance at 30 June 2016</b>	<b>1 663 918 492</b>	<b>1 663 918 492</b>
<b>Controlling entity</b>		
Opening balance as previously reported	1 446 952 934	1 446 952 934
Adjustments		
Prior period errors (Note 34)	26 674 235	26 674 235
<b>Balance at 01 July 2014 as restated*</b>	<b>1 473 627 169</b>	<b>1 473 627 169</b>
Changes in net assets		
Surplus for the year	42 674 691	42 674 691
Total changes	42 674 691	42 674 691
<b>Restated* Balance at 01 July 2015</b>	<b>1 516 301 860</b>	<b>1 516 301 860</b>
Changes in net assets		
Surplus for the year	144 905 716	144 905 716
Total changes	144 905 716	144 905 716
<b>Balance at 30 June 2016</b>	<b>1 661 207 576</b>	<b>1 661 207 576</b>

\* See Note 34

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Cash Flow Statement

	Note(s)	Economic entity		Controlling entity	
		2016	2015 Restated*	2016	2015 Restated*
		R	R	R	R
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Sale of goods and services		33 275 700	(8 478 839)	32 342 714	346 916
Grants		517 140 177	414 834 950	490 940 000	402 497 753
Interest income		12 611 694	9 141 489	12 502 874	9 091 377
Other receipts		34 559 464	14 721 609	34 422 622	14 721 609
		<u>597 587 035</u>	<u>430 219 209</u>	<u>570 208 210</u>	<u>426 657 655</u>
<b>Payments</b>					
Employee costs		(139 237 094)	(131 192 327)	(133 852 769)	(126 354 088)
Suppliers		(205 080 058)	(240 788 078)	(187 638 860)	(240 330 059)
Finance costs		(2 352 023)	(6 362 222)	(2 225 598)	(6 226 907)
Tax paid		-	(680 582)	-	-
		<u>(346 669 175)</u>	<u>(379 023 209)</u>	<u>(323 717 227)</u>	<u>(372 911 054)</u>
<b>Net cash flows from operating activities</b>	31	<b>250 917 860</b>	<b>51 196 000</b>	<b>246 490 983</b>	<b>53 746 601</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment (including intangible assets)	8	(231 339 419)	(51 347 995)	(231 012 495)	(51 290 326)
Purchase of other intangible assets	9	(24 250)	(300 271)	(24 250)	(300 271)
<b>Net cash flows from investing activities</b>		<b>(231 363 669)</b>	<b>(51 648 266)</b>	<b>(231 036 745)</b>	<b>(51 590 597)</b>
<b>Cash flows from financing activities</b>					
Movement in non-current loans		(835 511)	(837 667)	(835 511)	(837 667)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>18 718 680</b>	<b>(1 289 933)</b>	<b>14 618 727</b>	<b>1 318 337</b>
Cash and cash equivalents at the beginning of the year		13 804 730	15 094 663	12 696 413	11 378 076
<b>Cash and cash equivalents at the end of the year</b>	7	<b>32 523 410</b>	<b>13 804 730</b>	<b>27 315 140</b>	<b>12 696 413</b>

\* See Note 34

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	
<b>Economic entity</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	48 063 207	(13 665 622)	<b>34 397 585</b>	23 334 365	<b>(11 063 220)</b>	Refer to Appendix A
Rental of facilities and equipment	198 153	(110 143)	<b>88 010</b>	66 939	<b>(21 071)</b>	
Other income	28 379 000	10 512 369	<b>38 891 369</b>	34 530 556	<b>(4 360 813)</b>	
Interest received	5 797 527	1 414 857	<b>7 212 384</b>	12 611 694	<b>5 399 310</b>	
<b>Total revenue from exchange transactions</b>	<b>82 437 887</b>	<b>(1 848 539)</b>	<b>80 589 348</b>	<b>70 543 554</b>	<b>(10 045 794)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	284 386 950	3 755 000	<b>288 141 950</b>	522 463 700	<b>234 321 750</b>	
<b>Total revenue</b>	<b>366 824 837</b>	<b>1 906 461</b>	<b>368 731 298</b>	<b>593 007 254</b>	<b>224 275 956</b>	
<b>Expenditure</b>						
Employee costs	(135 490 852)	10 161 000	<b>(125 329 852)</b>	(132 791 556)	<b>(7 461 704)</b>	
Remuneration of councillors	(11 409 000)	4 332 718	<b>(7 076 282)</b>	(6 445 539)	<b>630 743</b>	
Depreciation and amortisation	(24 607 000)	(3 597 382)	<b>(28 204 382)</b>	(36 515 366)	<b>(8 310 984)</b>	
Finance costs	(316 800)	(389 937)	<b>(706 737)</b>	(2 352 023)	<b>(1 645 286)</b>	
Bad debts written off	(38 511 000)	9 301 578	<b>(29 209 422)</b>	(12 208 871)	<b>17 000 551</b>	
Repairs and maintenance	(29 072 460)	(1 867 541)	<b>(30 940 001)</b>	(33 221 518)	<b>(2 281 517)</b>	
Bulk purchases	(63 237 737)	2 694 159	<b>(60 543 578)</b>	(73 600 999)	<b>(13 057 421)</b>	
Contracted Services	(18 309 224)	(1 500 000)	<b>(19 809 224)</b>	(31 035 955)	<b>(11 226 731)</b>	
General Expenses	(45 870 629)	(21 041 149)	<b>(66 911 778)</b>	(118 412 582)	<b>(51 500 804)</b>	
<b>Total expenditure</b>	<b>(366 824 702)</b>	<b>(1 906 554)</b>	<b>(368 731 256)</b>	<b>(446 584 409)</b>	<b>(77 853 153)</b>	
<b>Surplus before taxation</b>	<b>135</b>	<b>(93)</b>	<b>42</b>	<b>146 422 845</b>	<b>146 422 803</b>	
Taxation	-	-	-	44 035	<b>44 035</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>135</b>	<b>(93)</b>	<b>42</b>	<b>146 378 810</b>	<b>146 378 768</b>	



# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	65 000	-	65 000	136 923 807	136 858 807	
Other receivables from exchange transactions	38 402 000	-	38 402 000	3 757 395	(34 644 605)	
VAT receivable	-	-	-	46 258 146	46 258 146	
Consumer debtors	44 056 000	(36 011 264)	8 044 736	82 330 805	74 286 069	
Cash and cash equivalents	25 289 000	8 570 000	33 859 000	32 523 410	(1 335 590)	
	<b>107 812 000</b>	<b>(27 441 264)</b>	<b>80 370 736</b>	<b>301 793 563</b>	<b>221 422 827</b>	

##### Non-Current Assets

Property, plant and equipment (including intangible assets)	1 433 453 292	-	1 433 453 292	1 661 593 476	228 140 184	
Intangible assets	31 000	-	31 000	365 307	334 307	
Heritage assets	-	-	-	586 000	586 000	
	<b>1 433 484 292</b>	<b>-</b>	<b>1 433 484 292</b>	<b>1 662 544 783</b>	<b>229 060 491</b>	

#### Total Assets

**1 541 296 292 (27 441 264) 1 513 855 028 1 964 338 346 450 483 318**

#### Liabilities

##### Current Liabilities

Payables from exchange transactions	96 717 000	(33 361 727)	63 355 273	250 688 080	187 332 807	
Consumer deposits	40 000	-	40 000	1 193 053	1 153 053	
Unspent conditional grants and receipts	-	-	-	34 385 211	34 385 211	
Defined benefit plan obligation	4 025 877	-	4 025 877	223 000	(3 802 877)	
Current portion of non-current loans	1 300 931	-	1 300 931	839 102	(461 829)	
	<b>102 083 808</b>	<b>(33 361 727)</b>	<b>68 722 081</b>	<b>287 328 446</b>	<b>218 606 365</b>	

##### Non-Current Liabilities

Finance lease obligation	150 000	-	150 000	-	(150 000)	
Defined benefit plan obligation	-	-	-	5 865 940	5 865 940	
Non-current loans	7 427 917	-	7 427 917	7 225 468	(202 449)	
	<b>7 577 917</b>	<b>-</b>	<b>7 577 917</b>	<b>13 091 408</b>	<b>5 513 491</b>	

#### Total Liabilities

**109 661 725 (33 361 727) 76 299 998 300 419 854 224 119 856**

#### Net Assets

**1 431 634 567 5 920 463 1 437 555 030 1 663 918 492 226 363 462**

#### Net Assets

##### Reserves

Accumulated surplus	1 431 634 567	5 920 463	1 437 555 030	1 663 918 492	226 363 462	
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# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Sale of goods and services	48 063 000	(35 842 358)	12 220 642	33 275 700	21 055 058
Grants	492 040 000	(1 100 000)	490 940 000	517 140 177	26 200 177
Interest income	5 797 000	(3 297 380)	2 499 620	12 611 694	10 112 074
Other receipts	28 577 000	26 814 000	55 391 000	34 559 464	(20 831 536)
	<b>574 477 000</b>	<b>(13 425 738)</b>	<b>561 051 262</b>	<b>597 587 035</b>	<b>36 535 773</b>

##### Payments

Employee costs and suppliers	(303 390 000)	(61 498 000)	(364 888 000)	(344 317 152)	20 570 848
Finance costs	(316 800)	(389 937)	(706 737)	(2 352 023)	(1 645 286)
	<b>(303 706 800)</b>	<b>(61 887 937)</b>	<b>(365 594 737)</b>	<b>(346 669 175)</b>	<b>18 925 562</b>

<b>Net cash flows from operating activities</b>	<b>270 770 200</b>	<b>(75 313 675)</b>	<b>195 456 525</b>	<b>250 917 860</b>	<b>55 461 335</b>
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Purchase of property, plant and equipment (including intangible assets)	(252 173 000)	(36 198 058)	(288 371 058)	(231 339 419)	57 031 639
Proceeds from sale of property, plant and equipment (including intangible assets)	70 000	(70 000)	-	-	-
Purchase of other intangible assets	-	-	-	(24 250)	(24 250)
Movement in non-current investments	15 000 000	(15 000 000)	-	-	-

<b>Net cash flows from investing activities</b>	<b>(237 103 000)</b>	<b>(51 268 058)</b>	<b>(288 371 058)</b>	<b>(231 363 669)</b>	<b>57 007 389</b>
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#### Cash flows from financing activities

Increase (decrease) in consumer deposits	42 000	-	42 000	-	(42 000)
Movement in non-current loans	(1 300 031)	-	(1 300 031)	(835 511)	464 520
<b>Net cash flows from financing activities</b>	<b>(1 258 031)</b>	<b>-</b>	<b>(1 258 031)</b>	<b>(835 511)</b>	<b>422 520</b>

Net increase/(decrease) in cash and cash equivalents	32 409 169	(126 581 733)	(94 172 564)	18 718 680	112 891 244
Cash and cash equivalents at the beginning of the year	12 696 413	-	12 696 413	13 804 730	1 108 317
<b>Cash and cash equivalents at the end of the year</b>	<b>45 105 582</b>	<b>(126 581 733)</b>	<b>(81 476 151)</b>	<b>32 523 410</b>	<b>113 999 561</b>

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1. Presentation of Consolidated Annual Financial Statements

The consolidated annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These consolidated annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these consolidated annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These consolidated annual financial statements are presented in South African Rand, which is the functional currency of the economic entity.

#### 1.2 Going concern assumption

These consolidated annual financial statements have been prepared based on a going concern basis.

#### 1.3 Consolidation

##### Basis of consolidation

The consolidated annual financial statements comprise the annual financial statements of Umkhanyakude District Municipality (Controlling entity) and Umhlosinga Development Agency (Municipal entity), which is controlled by the Municipality.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of controlled entities, are included in the consolidated annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases.

The consolidated annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated consolidated annual financial statements are prepared as of the same reporting date.

Adjustments are made when necessary to the consolidated annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

#### 1.4 Significant judgements and sources of estimation uncertainty

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements. Significant judgements have been made for the following:

- Valuation of inventory
- Useful lives and residual values of property, plant, and equipment
- Provision for doubtful debts
- Provision for long service awards
- Water and electricity losses

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### Taxation

The Municipality's entity, Umhlosinga Development Agency, is a registered tax payer for income tax purposes.

Amounts included in taxable income have been provided for and recognised in the annual financial statements as normal tax payable.

Future tax benefits related to deferred income tax assets are recognised to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future.

### 1.5 Property, plant and equipment (including intangible assets)

Property, plant and equipment (including intangible assets) are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services to meet service delivery objectives, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment (including intangible assets) is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the economic entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment (including intangible assets) is initially measured at cost.

The cost of an item of property, plant and equipment (including intangible assets) is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is deemed to be equal to its fair value as at date of acquisition.

Where an item of property, plant and equipment (including intangible assets) is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment (including intangible assets) have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment (including intangible assets), and depreciated separately.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment (including intangible assets) and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment (including intangible assets), the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment (including intangible assets), where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment (including intangible assets) ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment (including intangible assets).

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment (including intangible assets) and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment (including intangible assets). Any remaining inspection costs from the previous inspection are derecognised.

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.5 Property, plant and equipment (including intangible assets) (continued)

Property, plant and equipment (including intangible assets) is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment (including intangible assets) are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Depreciation is calculated as soon as an asset is available for use.

The useful lives of items of property, plant and equipment (including intangible assets) have been assessed as follows:

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight line	
• Residential dwellings		10-25 years
• Non residential dwellings		15-25 years
Infrastructure	Straight line	
• Electricity		5-60 years
• Water		5-100 years
• Sewerage		10-40 years
• Airports		15-30 years
• Stormwater		30-80 years
Other property, plant and equipment	Straight line	
• Furniture and office equipment		5-10 years
• Computer equipment		3-5 years
• Transport assets		5-7 years
• Other machinery and equipment		5-15 years
Assets under construction	Straight line	Not applicable

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Property, plant and equipment are considered to have a nil residual value.

Reviewing the useful life of an asset on an annual basis does not require the economic entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment (including intangible assets) with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment (including intangible assets) are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment (including intangible assets) is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment (including intangible assets) is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.6 Intangible assets

An intangible asset is an unidentifiable non-monetary asset without physical substance.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity; and
- the cost or fair value of the asset can be measured reliably.

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.6 Intangible assets (continued)

Intangible assets are initially recognised at cost and comprised of computer software. Computer software is capitalised to computer equipment where it forms part of an integral part of computer equipment.

The economic entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised.

### 1.7 Heritage assets

Assets are resources controlled by an economic entity as a result of past events and from which future economic benefits or service potential are expected to flow to the economic entity.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an economic entity's operations that is shown as a single item for the purpose of disclosure in the consolidated annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.7 Heritage assets (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

#### Recognition

The economic entity recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the economic entity, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at deemed cost.

As the acquisition cost of the Mayoral chain was not available on the adoption of the Standards of GRAP when heritage assets were recognised, the acquisition cost was measured using a deemed cost. Deemed cost was determined as the fair value of the asset at the measurement date.

The Municipality determined a deemed cost in accordance with Directive 7 for heritage assets as the information relating to the acquisition cost of the asset was not available.

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

#### Impairment

The economic entity assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the economic entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Derecognition

The economic entity derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

### 1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.8 Financial instruments (continued)

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;



# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.8 Financial instruments (continued)

- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

#### Class

Receivables from exchange transactions  
Other receivables from exchange transactions  
Cash and cash equivalents

#### Category

Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

#### Class

Payables from exchange transactions  
Non-current loans  
Unspent conditional grants

#### Category

Financial liability measured at amortised cost  
Financial liability measured at amortised cost  
Financial liability measured at amortised cost

### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value.

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.8 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

#### Derecognition

##### Financial assets

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

##### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.8 Financial instruments (continued)

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

The economic entity incorrectly recognised assets leased under an operating lease, as a finance lease in prior years. The lease classification criteria in accordance with GRAP13 was revisited and retrospectively corrected.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a cash basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the economic entity incurs to acquire the asset on the reporting date.

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.10 Inventories (continued)

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

### 1.11 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

As the Municipality's mandate is to undertake service delivery, all assets are classified and treated as non-cash generating assets.

### 1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the economic entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the economic entity.

### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The economic entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable service amount of the asset.

### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.12 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

The economic entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the economic entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

### 1.13 Consumer deposits

Consumer deposits represents security held by the municipality in respect of new consumer accounts opened. Once application for connection of services are made consumers are required to pay a nominal fee which is recognised as a Consumer deposit.

Consumer deposits are recognised at their nominal or carrying value.

Upon closure of a consumer's account the deposit is subsequently refunded by the municipality to the consumer.

### 1.14 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### 1.15 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.15 Employee benefits (continued)

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include:

- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Long service awards

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. Awarded leave days are converted to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation.

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. It is further assumed that the current policy for awarding long service awards remains unchanged in the future.

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

### 1.16 Provisions and contingencies

Provisions are recognised when:

- the economic entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.16 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

### 1.17 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax (i.e. VAT) and volume rebates.

#### Interest revenue

Interest is recognised, in surplus or deficit, using the effective interest rate method.

### 1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.19 Revenue from non-exchange transactions (continued)

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

### 1.20 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.24 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.



# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.24 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.25 Budget information

Economic Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by economic entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2015 to 30/06/2016.

The budget for the economic entity includes all the entities approved budgets under its control.

The consolidated annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.27 VAT

The Municipality and Municipal Entity are both registered VAT vendors and account for VAT on a cash basis.

VAT as disclosed in the annual financial statements have been prepared on the accrual basis.

### 1.28 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after
• GRAP 18: Segment Reporting	01 April 2017
• GRAP 20: Related parties	01 April 2017
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2016
• GRAP 108: Statutory Receivables	01 April 2016
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016
• GRAP 16 (as amended 2015): Investment Property	01 April 2016
• GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016
• GRAP 109: Accounting by Principals and Agents	01 April 2017
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2017
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018

### 3. Inventories

Materials	125 670 729	160 248 156	125 670 729	160 248 156
Water	1 238 246	248 081	1 238 246	248 081
Water meters	10 014 832	-	10 014 832	-
	<b>136 923 807</b>	<b>160 496 237</b>	<b>136 923 807</b>	<b>160 496 237</b>

### 4. Other receivables from exchange transactions

Housing loans	-	4 022 951	-	4 022 951
Debtor fraud	-	69 939	-	69 939
Avis loan - Mthombeni LM	-	242 792	-	242 792
Loan to Umhlaluyalingana	-	108 762	-	108 762
Other Debtors	11 497 680	12 378 983	11 497 680	12 378 983
Prepayments	-	3 805 917	-	3 805 917
Debtor Shemula	-	2 730	-	2 730
Provision for doubtful debts	(7 740 285)	(19 285 059)	(7 740 285)	(19 285 059)
	<b>3 757 395</b>	<b>1 347 015</b>	<b>3 757 395</b>	<b>1 347 015</b>

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R
<b>5. VAT receivable</b>				
VAT	46 258 146	18 332 079	45 744 421	18 055 270
<b>The VAT receivable balance is comprised of:</b>				
Input VAT claimed through VAT 201 returns	41 325 728	19 311 550	41 325 728	19 311 550
Undeclared VAT output	(9 075 646)	(12 404 708)	(9 075 646)	(12 404 708)
Unclaimed VAT input	23 125 189	19 117 564	22 611 464	18 840 755
Provision for VAT impairment	(9 117 125)	(7 692 327)	(9 117 125)	(7 692 327)
	<b>46 258 146</b>	<b>18 332 079</b>	<b>45 744 421</b>	<b>18 055 270</b>
The provision for impairment on VAT is in respect of VAT input claims that were disallowed by SARS. Attempts are currently being made to recover these amounts.				
<b>6. Receivables from exchange transactions</b>				
<b>Gross balances</b>				
Electricity	25 843 803	25 442 899	25 843 803	25 442 899
Water	125 825 278	114 225 483	125 825 278	114 225 483
Sewerage	42 963 779	44 568 841	42 963 778	44 568 841
WSSA debtors	18 710 427	22 412 007	18 710 427	22 412 007
Department of Education	7 348 486	8 318 417	-	-
	<b>220 691 773</b>	<b>214 967 647</b>	<b>213 343 286</b>	<b>206 649 230</b>
<b>Less: Allowance for impairment</b>				
Allowance for impairment - Service charges	(138 360 966)	(126 700 491)	(138 360 966)	(126 700 491)
<b>Net balance</b>				
Service charges	82 330 805	88 267 156	74 982 319	79 948 740
<b>Electricity</b>				
Current (0 -30 days)	798 263	1 065 185	798 263	1 065 185
31 - 60 days	383 385	128 710	383 385	128 710
61 - 90 days	278 744	85 737	278 744	85 737
91 - 120 days	204 970	906 313	204 970	906 313
121 - 365 days	24 178 441	23 256 954	24 178 441	23 256 954
	<b>25 843 803</b>	<b>25 442 899</b>	<b>25 843 803</b>	<b>25 442 899</b>
<b>Water</b>				
Current (0 -30 days)	4 965 262	6 504 738	4 965 262	6 504 738
31 - 60 days	389 589	1 604 226	389 589	1 604 226
61 - 90 days	1 798 722	1 375 487	1 798 722	1 375 487
91 - 120 days	747 464	1 366 463	747 464	1 366 463
121 - 365 days	117 924 241	103 374 569	117 924 241	103 374 569
	<b>125 825 278</b>	<b>114 225 483</b>	<b>125 825 278</b>	<b>114 225 483</b>

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

### 6. Receivables from exchange transactions (continued)

#### Sewerage

Current (0 -30 days)	1 225 275	1 914 612	1 225 275	1 914 612
31 - 60 days	11 418	50 195	11 418	50 195
61 - 90 days	29 416	121 753	29 416	121 753
91 - 120 days	30 887	70 262	30 887	70 262
121 - 365 days	41 666 783	42 412 019	41 666 783	42 412 019
	<b>42 963 779</b>	<b>44 568 841</b>	<b>42 963 779</b>	<b>44 568 841</b>

#### Department of Education

Current (0 -30 days)	2 443 874	-	-	-
31 - 60 days	2 460 461	1 542 369	-	-
61 - 90 days	2 444 151	1 494 485	-	-
91 - 120 days	-	910 279	-	-
121 - 365 days	-	4 371 284	-	-
	<b>7 348 486</b>	<b>8 318 417</b>	<b>-</b>	<b>-</b>

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R
<b>6. Receivables from exchange transactions (continued)</b>				
<b>Summary of debtors by customer classification</b>				
<b>Consumers</b>				
Current (0 -30 days)	346 346	536 450	346 346	536 450
31 - 60 days	89 278	501 428	89 278	501 428
61 - 90 days	1 327 536	907 386	1 327 536	907 386
91 - 120 days	457 911	940 001	457 911	940 001
121 - 365 days	134 995 060	129 765 691	134 995 059	129 765 693
	137 216 131	132 650 956	137 216 130	132 650 958
Less: Allowance for impairment	(109 322 350)	(104 943 327)	(109 322 350)	(104 943 327)
	<b>27 893 781</b>	<b>27 707 629</b>	<b>27 893 780</b>	<b>27 707 631</b>
<b>Commercial</b>				
Current (0 -30 days)	417 212	308 483	417 212	308 483
31 - 60 days	106 544	462 954	106 544	462 954
61 - 90 days	275 638	388 413	275 638	388 413
91 - 120 days	178 494	885 113	178 494	885 113
121 - 365 days	26 149 261	23 306 226	26 149 261	23 306 226
	27 127 149	25 351 189	27 127 149	25 351 189
Less: Allowance for impairment	(16 036 782)	(14 043 776)	(16 036 782)	(14 043 776)
	<b>11 090 367</b>	<b>11 307 413</b>	<b>11 090 367</b>	<b>11 307 413</b>
<b>National and provincial government</b>				
Current (0 -30 days)	3 380 835	926 216	936 961	926 216
31 - 60 days	3 049 031	2 361 118	588 570	818 749
61 - 90 days	2 947 858	1 781 664	503 707	287 179
91 - 120 days	346 916	1 428 203	346 916	517 924
121 - 365 days	11 257 252	17 010 812	11 257 252	12 639 527
	<b>20 981 892</b>	<b>23 508 013</b>	<b>13 633 406</b>	<b>15 189 595</b>
<b>Total</b>				
Current (0 -30 days)	4 144 394	1 771 149	1 700 520	1 771 149
31 - 60 days	3 244 852	3 325 500	784 391	1 783 131
61 - 90 days	4 551 033	3 077 463	2 106 882	1 582 978
91 - 120 days	983 321	3 253 317	983 321	2 343 038
121 - 365 days	172 401 572	170 082 729	172 401 571	165 711 446
	185 325 172	181 510 158	177 976 685	173 191 742
Add: Credit balance debtors (Note 11)	3 654 671	3 332 094	3 654 671	3 332 094
Add: WSSA debtors	18 710 262	22 412 007	18 710 262	22 412 007
Add: Interest on outstanding debtors	13 001 668	7 713 388	13 001 668	7 713 388
	<b>220 691 773</b>	<b>214 967 647</b>	<b>213 343 286</b>	<b>206 649 231</b>
<b>Less: Allowance for impairment</b>				
Current (0 -30 days)	(5 294 814)	(7 720 025)	(5 294 814)	(7 720 025)
31 - 60 days	(14 384)	(6 127)	(14 384)	(6 127)
61 - 90 days	(139 094)	(291 371)	(139 094)	(291 371)
91 - 120 days	(275 726)	(216 473)	(275 726)	(216 473)
121 - 365 days	(132 636 948)	(118 466 495)	(132 636 948)	(118 466 495)
	<b>(138 360 966)</b>	<b>(126 700 491)</b>	<b>(138 360 966)</b>	<b>(126 700 491)</b>

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R
<b>6. Receivables from exchange transactions (continued)</b>				
Total	82 330 805	88 267 156	74 982 320	79 948 740
<b>Reconciliation of allowance for impairment</b>				
Balance at beginning of the year	126 700 491	151 363 209	126 700 491	151 363 209
Contributions to allowance	6 372 195	(32 376 106)	6 372 195	(32 376 106)
Interest on outstanding debtors - Impaired	5 288 280	7 713 388	5 288 280	7 713 388
	<b>138 360 966</b>	<b>126 700 491</b>	<b>138 360 966</b>	<b>126 700 491</b>
<b>7. Cash and cash equivalents</b>				
Cash and cash equivalents consist of:				
Cash on hand	49 242	39 822	48 281	38 821
Bank balances	13 550 585	12 244 268	13 350 057	12 157 560
Call account balances	18 923 583	1 520 640	13 916 802	500 032
	<b>32 523 410</b>	<b>13 804 730</b>	<b>27 315 140</b>	<b>12 696 413</b>

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 8. Property, plant and equipment (including intangible assets)

Economic entity

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 157 250	-	1 157 250	1 157 250	-	1 157 250
Buildings	35 875 018	(11 535 895)	24 339 123	35 875 018	(10 210 183)	25 664 835
Infrastructure	942 381 582	(139 649 934)	802 731 648	772 728 298	(109 795 790)	662 932 508
Other property, plant and equipment	46 910 628	(24 128 717)	22 781 911	45 421 975	(19 131 308)	26 290 667
Assets under construction	810 583 544	-	810 583 544	799 231 889	-	799 231 889
<b>Total</b>	<b>1 836 908 022</b>	<b>(175 314 546)</b>	<b>1 661 593 476</b>	<b>1 654 414 430</b>	<b>(139 137 281)</b>	<b>1 515 277 149</b>

Controlling entity

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 157 250	-	1 157 250	1 157 250	-	1 157 250
Buildings	35 875 018	(11 535 895)	24 339 123	35 875 018	(10 210 183)	25 664 835
Infrastructure	942 381 582	(139 649 934)	802 731 648	772 728 298	(109 795 790)	662 932 508
Other property, plant and equipment	46 619 126	(24 128 717)	22 490 409	44 964 010	(19 131 308)	25 832 702
Assets under construction	810 257 754	-	810 257 754	799 231 889	-	799 231 889
<b>Total</b>	<b>1 836 290 730</b>	<b>(175 314 546)</b>	<b>1 660 976 184</b>	<b>1 653 956 465</b>	<b>(139 137 281)</b>	<b>1 514 819 184</b>

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 8. Property, plant and equipment (including intangible assets) (continued)

#### Reconciliation of property, plant and equipment (including intangible assets) - Economic entity - 2016

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total
Land	1 157 250	-	-	-	-	1 157 250
Buildings	25 664 835	-	-	-	(1 325 712)	24 339 123
Infrastructure	662 932 508	-	169 653 284	-	(29 854 144)	802 731 648
Other property, plant and equipment	26 290 667	1 656 249	-	-	(5 165 005)	22 781 911
Assets under construction	799 231 889	229 683 170	(169 653 284)	(48 678 231)	-	810 583 544
	<b>1 515 277 149</b>	<b>231 339 419</b>	<b>-</b>	<b>(48 678 231)</b>	<b>(36 344 861)</b>	<b>1 661 593 476</b>

#### Reconciliation of property, plant and equipment (including intangible assets) - Economic entity - 2015

	Opening balance	Additions	Additions through entity combinations	Transfers	Depreciation	Impairment loss	Total
Land	1 157 250	-	-	-	-	-	1 157 250
Buildings	26 981 903	-	-	-	(1 318 752)	1 684	25 664 835
Infrastructure	684 929 309	-	3 104	-	(21 389 430)	(610 475)	662 932 508
Other property, plant and equipment	22 892 201	7 293 132	696 547	245 659	(4 693 271)	(143 601)	26 290 667
Assets under construction	755 422 685	44 054 863	-	(245 659)	-	-	799 231 889
	<b>1 491 383 348</b>	<b>51 347 995</b>	<b>699 651</b>	<b>-</b>	<b>(27 401 453)</b>	<b>(752 392)</b>	<b>1 515 277 149</b>



# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 8. Property, plant and equipment (including intangible assets) (continued)

#### Reconciliation of property, plant and equipment (including intangible assets) - Controlling entity - 2016

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total
Land	1 157 250	-	-	-	-	1 157 250
Buildings	25 664 835	-	-	-	(1 325 712)	24 339 123
Infrastructure	662 932 508	-	169 653 284	-	(29 854 144)	802 731 648
Other property, plant and equipment	25 832 702	1 655 115	-	-	(4 997 408)	22 490 409
Other equipment	799 231 889	229 357 380	(169 653 284)	(48 678 231)	-	810 257 754
	<b>1 514 819 184</b>	<b>231 012 495</b>	<b>-</b>	<b>(48 678 231)</b>	<b>(36 177 264)</b>	<b>1 660 976 184</b>

#### Reconciliation of property, plant and equipment (including intangible assets) - Controlling entity - 2015

	Opening balance	Additions	Additions through entity combinations	Transfers	Depreciation	Impairment loss	Total
Land	1 157 250	-	-	-	-	-	1 157 250
Buildings	26 981 903	-	-	-	(1 318 752)	1 684	25 664 835
Infrastructure	684 929 309	-	3 104	-	(21 389 430)	(610 475)	662 932 508
Other property, plant and equipment	22 319 705	7 235 463	696 547	245 659	(4 521 071)	(143 601)	25 832 702
Assets under construction	755 422 685	44 054 863	-	(245 659)	-	-	799 231 889
	<b>1 490 810 852</b>	<b>51 290 326</b>	<b>699 651</b>	<b>-</b>	<b>(27 229 253)</b>	<b>(752 392)</b>	<b>1 514 819 184</b>

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

### 8. Property, plant and equipment (including intangible assets) (continued)

#### Pledged as security

There were no assets pledged as security during the year.

#### Assets under investigation

499 assets with a carrying value of R4 940 784 were flagged as either not verified or which did not meet the service requirements of the municipality.

In addition to the above, 12 projects under construction with a carrying value of R67 092 961 were also flagged as not verified. As at financial statement date, the aforementioned assets were under investigation.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 9. Intangible assets

Economic entity	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	759 478	(394 171)	365 307	735 228	(223 666)	511 562
Controlling entity	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	759 478	(394 171)	365 307	735 228	(223 666)	511 562

#### Reconciliation of intangible assets - Economic entity - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	511 562	24 250	(170 505)	365 307

#### Reconciliation of intangible assets - Economic entity - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	327 357	300 271	(116 066)	511 562

#### Reconciliation of intangible assets - Controlling entity - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	511 562	24 250	(170 505)	365 307

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

### 9. Intangible assets (continued)

#### Reconciliation of intangible assets - Controlling entity - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	327 357	300 271	(116 066)	511 562

### 10. Heritage assets

Economic entity	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral regalia	586 000	-	586 000	586 000	-	586 000

Controlling entity	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral regalia	586 000	-	586 000	586 000	-	586 000

#### Reconciliation of heritage assets Economic entity - 2016

	Opening balance	Total
Mayoral regalia	586 000	586 000

#### Reconciliation of heritage assets Economic entity - 2015

	Opening balance	Total
Mayoral regalia	586 000	586 000

#### Reconciliation of heritage assets Controlling entity - 2016

	Opening balance	Total
Mayoral regalia	586 000	586 000

#### Reconciliation of heritage assets Controlling entity - 2015

	Opening balance	Total
Mayoral regalia	586 000	586 000

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

### 10. Heritage assets (continued)

#### Recognition of heritage assets

The Municipality did not account for the Mayoral chain in the accounting records in prior years. Heritage assets were retrospectively recognised and included in the assets register during the current financial period.

#### Deemed cost

As the acquisition cost of the Mayoral chain was not available on the adoption of the Standards of GRAP when heritage assets were recognised, the acquisition cost was measured using a deemed cost. Deemed cost was determined as the fair value of the asset at the measurement date.

The Municipality determined a deemed cost in accordance with Directive 7 for heritage assets as the information relating to the acquisition cost of the asset was not available.

#### Measurement

The deemed cost of the Mayoral chain was determined using fair value. The fair value was determined by a Corlia Luyt, an independent jewellery designer and manufacturer, on 23 August 2016.

### 11. Payables from exchange transactions

Trade payables	206 058 758	184 022 644	205 548 498	181 392 896
Debtor pre-payments (Note 6)	3 654 672	3 332 095	3 654 672	3 332 095
Employee related deductions and suspense accounts	5 625 660	5 119 463	5 625 660	5 119 463
Operating lease payables	95 982	120 116	95 982	120 116
Overtime payments accrued	329 699	-	329 699	-
Provision for 13th cheque payments	3 131 127	2 932 104	3 131 127	2 932 104
Provision for leave pay	10 562 086	10 655 241	10 379 021	10 519 441
Retentions	21 230 096	20 234 224	21 230 000	20 234 124
	<b>250 688 080</b>	<b>226 415 887</b>	<b>249 994 659</b>	<b>223 650 239</b>

### 12. Consumer deposits

Consumer deposits - Water	1 193 053	1 180 943	1 193 053	1 180 943
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# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R
<b>13. Unspent conditional grants and receipts</b>				
<b>Unspent conditional grants and receipts comprises of:</b>				
<b>Unspent conditional grants and receipts</b>				
PIMMS/ NDT Operational Grant	300	300	300	300
Ndumo Market Stalls Grant	2 992 855	3 000 000	(6)	-
Kwadapha	578 891	578 891	578 891	578 891
Ndumo Learners Shelter Grant	9 441 505	9 441 505	9 441 505	9 441 505
Municipal Infrastructure Grant	-	12 274 058	-	12 274 058
Water Services Operating Subsidy	1 945 954	-	1 945 954	-
MTN Grant	515 703	515 703	-	-
EDTEA Grant	5 015 037	-	-	-
Ingwavuma Prison Electrical Upgrade	101 506	101 506	101 506	101 506
Mkuze Re-Generation Plan Grant	446 289	1 029 288	-	-
Shared Services Grant	54 541	250 000	54 541	250 000
Mkuze Market Stalls Grant	400 500	700 000	-	-
Rural Households Infrastructure Grant	8 498	7 997	8 498	7 997
Kwazibi National Lottery Grant	122 667	122 667	122 667	122 667
Mqobela National Lottery Grant	166 666	166 666	166 666	166 666
Mabibi National Lottery Grant	166 667	166 667	166 667	166 667
Public Participation Customer Satisfaction Survey	154 000	154 000	154 000	154 000
Rural Road & Transport Management Grant	2 446 932	1 114 932	2 446 932	1 114 932
Ndumo Groundnuts	353 847	749 347	353 847	749 347
Industrial Development Corporation Grant	700 873	700 873	-	-
National Treasury ILO Grant	212 173	212 173	-	-
Disaster Management Grant	9 120	9 120	9 120	9 120
Expanded Public Works Programme	2 331 774	2 082 000	2 331 774	2 082 000
Lake Tete	267 001	267 001	267 001	267 001
Nyezi Community HIV Centre	303 570	303 570	303 570	303 570
Umkhombi Tours	908 690	908 690	908 690	908 690
Waste Management Grant	145 565	145 565	145 565	145 565
Environmental Management Grant	405 600	405 600	405 600	405 600
Massification Grant	4 172 492	4 172 492	4 172 492	4 172 492
ACIP Grant	4 695	4 695	4 695	4 695
Mbazwana Thusong Centre	-	101 729	-	101 729
Other Grants	11 300	11 300	11 300	11 300
	<b>34 385 211</b>	<b>39 698 335</b>	<b>24 101 775</b>	<b>33 540 298</b>

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

### 14. Defined benefit plan obligation

#### Reconciliation of defined benefit plan obligation - Economic entity - 2016

	Opening Balance	Service cost	Interest cost	Benefits paid	Actuarial loss	Total
Long service awards	4 887 000	713 000	471 000	(161 060)	179 000	6 088 940

#### Reconciliation of defined benefit plan obligation - Economic entity - 2015

	Opening Balance	Service cost	Interest cost	Benefits paid	Actuarial loss	Total
Long service awards	4 189 000	662 000	350 000	(320 000)	6 000	4 887 000

#### Reconciliation of defined benefit plan obligation - Controlling entity - 2016

	Opening Balance	Service cost	Interest cost	Benefits paid	Actuarial loss	Total
Long service awards	4 887 000	713 000	471 000	(161 060)	179 000	6 088 940

#### Reconciliation of defined benefit plan obligation - Controlling entity - 2015

	Opening Balance	Additions	Interest cost	Benefits paid	Actuarial loss	Total
Long service awards	4 189 000	662 000	350 000	(320 000)	6 000	4 887 000
Non-current liabilities			5 865 940	4 779 000	5 865 940	4 779 000
Current liabilities			223 000	108 000	223 000	108 000
			<b>6 088 940</b>	<b>4 887 000</b>	<b>6 088 940</b>	<b>4 887 000</b>

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

### 14. Defined benefit plan obligation (continued)

#### Long Service Awards

##### Membership Data

As at 30 June 2016, the number of members entitled to receive long service leave awards from the Municipality were:

Gender	Number of active employees (Years)	Salary weighted average age (Years)	Weighted average past service
Male	204	42.95	6.73
Female	98	40.26	7.80
<b>Total</b>	<b>302</b>		

#### Long service awards liabilities

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. Awarded leave days are converted to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. The nominal and real zero curves as at 30 June 2016 supplied by the JSE were used to determine the discounted rates and CPI assumptions. As reflected below, the average age for mortality, retirements and withdrawals from service were also considered.

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. It is further assumed that the current policy for awarding long service awards remains unchanged in the future.

The table below reflects a summary of the benefit policy:

Completed years of service	Total long service award (% of annual salary)	Formula used to calculate Total long service benefit award
10	4%	(10/250)*Annual salary
15	8%	(10/250)*Annual salary
20,25,30,35,40 and 45	12%	(10/250)*Annual salary

#### Valuation assumptions - Key financial variables

	Assumed value	Assumed value
Discount rate per annum	Yield Curve	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve**	Difference between nominal and real yield curve**
Normal salary increase	CPI + 1%	6%
Net Effective Discount Rate	Yield Curve based	Yield Curve based
Average retirement age for all active employees	63	63
Mortality before retirement	SA 85-90	SA 85-90
<b>Age band</b>	<b>Males</b>	<b>Females</b>
Age 20 - 24	16%	24%
Age 25 - 29	12%	18%
Age 30 - 34	10%	15%
Age 35 - 39	8%	10%
Age 40 - 44	6%	6%
Age 45 - 49	4%	4%
Age 50 - 54	2%	2%

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

### 14. Defined benefit plan obligation (continued)

Age 55 -59	1%		1%	
Age 60+	0%		0%	

### Valuation of assets

As at the valuation date, the long service leave liability award of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability.

### Amounts recognised in the Statement of Financial Position

Accrued defined benefit obligation	6 088 940	4 887 000	6 088 940	4 887 000
Valuation of plan assets	-	-	-	-
	<b>6 088 940</b>	<b>4 887 000</b>	<b>6 088 940</b>	<b>4 887 000</b>

### Long service leave awards - Valuation

Accrued liability as at preceding valuation date	4 887 000	4 189 000	4 887 000	4 189 000
Current service cost	713 000	662 000	713 000	662 000
Interest cost	471 000	350 000	471 000	350 000
Benefits paid	(161 060)	(320 000)	(161 060)	(320 000)
Actuarial loss	179 000	6 000	179 000	6 000
	<b>6 088 940</b>	<b>4 887 000</b>	<b>6 088 940</b>	<b>4 887 000</b>

### Net amounts recognised in Statement of Financial Performance

Current service cost	713 000	662 000	713 000	662 000
Interest cost	471 000	350 000	471 000	350 000
Benefits paid	(161 060)	(320 000)	(161 060)	(320 000)
Actuarial loss	179 000	6 000	179 000	6 000
	<b>1 201 940</b>	<b>698 000</b>	<b>1 201 940</b>	<b>698 000</b>

### 15. Non-current loans

#### Development Bank of Southern Africa

Non-current portion of borrowings	7 225 468	7 400 108	7 225 468	7 400 108
Current portion of borrowings	839 102	1 499 973	839 102	1 499 973
	<b>8 064 570</b>	<b>8 900 081</b>	<b>8 064 570</b>	<b>8 900 081</b>

The Municipality received two (2) loans from Development Bank of Southern Africa (DBSA) to fund the construction of the municipal buildings. The interest rates for each loan are as follows:

Loan 61000800, fixed interest rate at 6.75%

Loan 61000191, semi- floating interest rate. Interest reference is 6 Month Jibar (current base interest plus the margin).

Loan repayments are due bi-annually (i.e. on 31 March and 30 September each calendar year) with the final redemption date being 30 September 2025.

### 16. Service charges

Sale of electricity	4 883 908	5 255 863	4 883 908	5 255 863
Sale of water	18 020 484	26 458 450	18 020 484	26 458 450
Sewerage and sanitation charges	429 973	847 830	429 973	847 830
	<b>23 334 365</b>	<b>32 562 143</b>	<b>23 334 365</b>	<b>32 562 143</b>



# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R
<b>17. Rental of facilities and equipment</b>				
<b>Facilities and equipment</b>				
Rental of facilities	66 939	75 322	66 939	75 322
<b>18. Other revenue</b>				
Connection fees	9 763	30 260	9 763	30 260
Tender fees	95 088	123 187	63 597	88 801
Department of Water Affairs refund	34 216 370	13 007 834	34 216 370	13 007 834
Other income	90 387	819 739	65 954	819 739
Airport fees	118 948	43 769	-	-
Asset fair value adjustment	-	699 652	-	699 652
	<b>34 530 556</b>	<b>14 724 441</b>	<b>34 355 684</b>	<b>14 646 286</b>
<b>19. Investment revenue</b>				
<b>Interest revenue</b>				
Bank balances and short term deposits	12 611 694	9 141 489	12 502 874	9 091 377

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

### 20. Government grants and subsidies

#### Operating grants

Equitable share	265 376 000	226 251 945	265 376 000	226 251 945
Rural Road & Transport Management	-	1 325 360	-	1 325 360
Expanded Public Works Programme	1 058 226	1 208 094	1 058 226	1 208 094
Public Participation & Customer Survey	-	596 000	-	596 000
Rural Households Infrastructure Grant	3 999 498	3 996 002	3 999 498	3 996 002
ACIP Grant	-	721 113	-	721 113
Disaster Management Grant	-	990 880	-	990 880
Mbazwana Thusong Centre Grant	101 729	148 271	101 729	148 271
Finance Management Grant	1 250 000	1 250 000	1 250 000	1 250 000
Municipal Systems Improvement Grant	940 000	934 000	940 000	934 000
Ndumo Groundnuts	395 500	-	395 500	-
Shared Services Grant	195 459	-	195 459	-
Water Services Operating Subsidy	3 254 046	-	3 254 046	-
Umkhanyakude Grant	-	(4 543 297)	-	-
National School Nutrition Program	21 864 577	8 318 418	-	-
Other operating grants *	1 335 607	231 918	-	-
	<b>299 770 642</b>	<b>241 428 704</b>	<b>276 570 458</b>	<b>237 421 665</b>

#### Capital grants

Municipal Infrastructure Grant	222 693 058	153 745 942	222 693 064	153 745 942
	<b>522 463 700</b>	<b>395 174 646</b>	<b>499 263 522</b>	<b>391 167 607</b>

#### PIMMS/ NDT Operational Grant

Balance unspent at beginning of year	300	300	300	300
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Conditions still to be met - remain liabilities (see note 13).

#### Ndumo Market Stalls Grant

Balance unspent at beginning of year	3 000 000	-	-	-
Current-year receipts	-	3 000 000	-	-
Conditions met - transferred to revenue	(7 145)	-	-	-
	<b>2 992 855</b>	<b>3 000 000</b>	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 13).

\* Revenue recognised from grant expenditure have been classified as revenue from Other operating grants.

#### Kwadapha

Balance unspent at beginning of year	578 891	578 891	578 891	578 891
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Conditions still to be met - remain liabilities (see note 13).

#### Ndumo Learners Shelter Grant

Balance unspent at beginning of year	9 441 505	9 441 505	9 441 505	9 441 505
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Conditions still to be met - remain liabilities (see note 13).

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

### 20. Government grants and subsidies (continued)

#### Municipal Infrastructure Grant

Balance unspent at beginning of year	12 274 058	-	12 274 058	-
Current-year receipts	210 419 000	166 020 000	210 419 000	166 020 000
Conditions met - transferred to revenue	(222 693 058)	(153 745 942)	(222 693 058)	(153 745 942)
	<b>-</b>	<b>12 274 058</b>	<b>-</b>	<b>12 274 058</b>

Conditions still to be met - remain liabilities (see note 13).

#### Water Services Operating Subsidy

Current-year receipts	5 200 000	-	5 200 000	-
Conditions met - transferred to revenue	(3 254 046)	-	(3 254 046)	-
	<b>1 945 954</b>	<b>-</b>	<b>1 945 954</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 13).

#### MTN Grant

Balance unspent at beginning of year	515 703	747 621	-	-
Conditions met - transferred to revenue	-	(231 918)	-	-
	<b>515 703</b>	<b>515 703</b>	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 13).

\* Revenue recognised from grant expenditure have been classified as revenue from Other operating grants.

#### EDTEA Grant

Current-year receipts	5 461 000	-	-	-
Conditions met - transferred to revenue	(445 963)	-	-	-
	<b>5 015 037</b>	<b>-</b>	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 13).

\* Revenue recognised from grant expenditure have been classified as revenue from Other operating grants.

#### Ingwavuma Prison Electrical Upgrade

Balance unspent at beginning of year	101 506	101 506	101 506	101 506
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Conditions still to be met - remain liabilities (see note 13).

#### Finance Management Grant

Current-year receipts	1 250 000	1 250 000	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 250 000)	(1 250 000)	(1 250 000)
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 13).

#### Mkuze Re-generation Plan Grant

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

### 20. Government grants and subsidies (continued)

Balance unspent at beginning of year	1 029 288	-	-	-
Current-year receipts	-	1 100 000	-	-
Conditions met - transferred to revenue	(582 999)	-	-	-
Other	-	(70 712)	-	-
	<b>446 289</b>	<b>1 029 288</b>	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 13).

\* Revenue recognised from grant expenditure have been classified as revenue from Other operating grants.

#### Shared Services Grant

Balance unspent at beginning of year	250 000	250 000	250 000	250 000
Conditions met - transferred to revenue	(195 459)	-	(195 459)	-
	<b>54 541</b>	<b>250 000</b>	<b>54 541</b>	<b>250 000</b>

Conditions still to be met - remain liabilities (see note 13).

#### Mkuze Market Stalls Grant

Balance unspent at beginning of year	700 000	-	-	-
Current-year receipts	-	700 000	-	-
Conditions met - transferred to revenue	(299 500)	-	-	-
	<b>400 500</b>	<b>700 000</b>	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 13).

\* Revenue recognised from grant expenditure have been classified as revenue from Other operating grants.

#### Rural Households Infrastructure Grant

Balance unspent at beginning of year	7 996	3 999	7 996	3 999
Current-year receipts	4 000 000	4 000 000	4 000 000	4 000 000
Conditions met - transferred to revenue	(3 999 498)	(3 996 002)	(3 999 498)	(3 996 002)
	<b>8 498</b>	<b>7 997</b>	<b>8 498</b>	<b>7 997</b>

Conditions still to be met - remain liabilities (see note 13).

#### Kwazibi National Lottery Grant

Balance unspent at beginning of year	122 667	122 667	122 667	122 667
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Conditions still to be met - remain liabilities (see note 13).

#### Mqobela National Lottery Grant

Balance unspent at beginning of year	166 666	166 666	166 666	166 666
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Conditions still to be met - remain liabilities (see note 13).

#### Mabibi National Lottery Grant

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

### 20. Government grants and subsidies (continued)

Balance unspent at beginning of year	166 667	166 667	166 667	166 667
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Conditions still to be met - remain liabilities (see note 13).

### Public Participation & Customer Satisfaction Survey Grant

Balance unspent at beginning of year	154 000	750 000	154 000	750 000
Conditions met - transferred to revenue	-	(596 000)	-	(596 000)
	<b>154 000</b>	<b>154 000</b>	<b>154 000</b>	<b>154 000</b>

Conditions still to be met - remain liabilities (see note 13).

### Rural Road & Transport Management Grant

Balance unspent at beginning of year	1 114 932	291	1 114 932	291
Current-year receipts	2 447 000	2 440 000	2 447 000	2 440 000
Conditions met - transferred to revenue	-	(1 325 359)	-	(1 325 359)
Other	(1 115 000)	-	(1 115 000)	-
	<b>2 446 932</b>	<b>1 114 932</b>	<b>2 446 932</b>	<b>1 114 932</b>

Conditions still to be met - remain liabilities (see note 13).

### Ndumo Groundnuts Grant

Balance unspent at beginning of year	749 347	749 347	749 347	749 347
Conditions met - transferred to revenue	(395 500)	-	(395 500)	-
	<b>353 847</b>	<b>749 347</b>	<b>353 847</b>	<b>749 347</b>

Conditions still to be met - remain liabilities (see note 13).

\* Revenue recognised from grant expenditure have been classified as revenue from Other operating grants.

### Industrial Development Corporation Grant

Balance unspent at beginning of year	700 873	700 873	-	-
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Conditions still to be met - remain liabilities (see note 13).

### National Treasury ILO Grant

Balance unspent at beginning of year	212 173	212 173	-	-
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Conditions still to be met - remain liabilities (see note 13).

### Disaster Management Grant

Balance unspent at beginning of year	9 120	-	9 120	-
Current-year receipts	-	1 000 000	-	1 000 000
Conditions met - transferred to revenue	-	(990 880)	-	(990 880)
	<b>9 120</b>	<b>9 120</b>	<b>9 120</b>	<b>9 120</b>

Conditions still to be met - remain liabilities (see note 13).

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R
<b>20. Government grants and subsidies (continued)</b>				
<b>Municipal Systems Improvement Grant</b>				
Current-year receipts	940 000	934 000	940 000	934 000
Conditions met - transferred to revenue	(940 000)	(934 000)	(940 000)	(934 000)
	-	-	-	-
Conditions still to be met - remain liabilities (see note 13).				
<b>Expanded Public Works Programme</b>				
Balance unspent at beginning of year	2 082 000	2 164 094	2 082 000	2 164 094
Current-year receipts	1 308 000	1 126 000	1 308 000	1 126 000
Conditions met - transferred to revenue	(1 058 226)	(1 208 094)	(1 058 226)	(1 208 094)
	<b>2 331 774</b>	<b>2 082 000</b>	<b>2 331 774</b>	<b>2 082 000</b>
Conditions still to be met - remain liabilities (see note 13).				
<b>Lake Tete Grant</b>				
Balance unspent at beginning of year	267 001	267 001	267 001	267 001
Conditions still to be met - remain liabilities (see note 13).				
<b>Nyezi Community HIV Centre Grant</b>				
Balance unspent at beginning of year	303 570	303 570	303 570	303 570
Conditions still to be met - remain liabilities (see note 13).				
<b>Umkhombe Tours Grant</b>				
Balance unspent at beginning of year	908 690	908 690	908 690	908 690
Conditions still to be met - remain liabilities (see note 13).				
<b>Waste Management Grant</b>				
Balance unspent at beginning of year	145 565	145 565	145 565	145 565
Conditions still to be met - remain liabilities (see note 13).				
<b>Environmental Management Grant</b>				
Balance unspent at beginning of year	405 600	405 600	405 600	405 600
Conditions still to be met - remain liabilities (see note 13).				
<b>Massification Grant</b>				
Balance unspent at beginning of year	4 172 492	4 172 492	4 172 492	4 172 492
Conditions still to be met - remain liabilities (see note 13).				

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

### 20. Government grants and subsidies (continued)

#### ACIP Grant

Balance unspent at beginning of year	4 695	-	4 695	-
Current-year receipts	-	725 808	-	725 808
Conditions met - transferred to revenue	-	(721 113)	-	(721 113)
	<b>4 695</b>	<b>4 695</b>	<b>4 695</b>	<b>4 695</b>

Conditions still to be met - remain liabilities (see note 13).

#### Mbazwana Thusong Centre Grant

Balance unspent at beginning of year	101 729	-	101 729	-
Current-year receipts	-	250 000	-	250 000
Conditions met - transferred to revenue	(101 729)	(148 271)	(101 729)	(148 271)
	<b>-</b>	<b>101 729</b>	<b>-</b>	<b>101 729</b>

Conditions still to be met - remain liabilities (see note 13).

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

### 21. Employee related costs

Basic	98 804 400	94 163 693	94 716 905	90 130 466
Medical aid - company contributions	19 718 101	16 424 929	19 202 757	16 003 644
Staff retirement benefits	734 220	347 716	-	-
Defined contribution plans	730 940	-	730 940	-
Travel, motor car, accommodation, subsistence and other allowances	6 792 064	7 241 633	6 792 064	7 241 633
Overtime payments	2 703 607	3 378 864	2 703 607	3 378 864
13th Cheques	199 023	561 021	199 023	561 021
Housing benefits and allowances	2 001 676	1 495 239	2 001 676	1 495 239
Leave pay provision charge	1 107 525	858 201	1 060 260	822 190
	<b>132 791 556</b>	<b>124 471 296</b>	<b>127 407 232</b>	<b>119 633 057</b>

### Remuneration of Municipal Manager

Annual Remuneration	727 288	727 288	727 288	727 288
Travel, housing and other allowances	333 122	376 254	333 122	376 254
Contributions to UIF, Medical and Pension Funds	11 168	11 589	11 168	11 589
	<b>1 071 578</b>	<b>1 115 131</b>	<b>1 071 578</b>	<b>1 115 131</b>

The Municipal Manager was suspended on full pay since January 2016. The General Manager - Corporate Services acted as Municipal Manager for the period January - March 2016.

Through section 139(a) of the MFMA, the Municipality subsequently appointed an Acting Municipal Manager on 01 April 2016. For the period April 2016 - June 2016, R300 340 was paid in salaries and allowances to the Acting Municipal Manager.

### Remuneration of Chief Executive Officer - Umhlozinga Development Agency

Annual Remuneration	963 000	900 000	-	-
Travel, housing and other allowances	321 000	316 200	-	-
Contributions to UIF, Medical and Pension Funds	239 445	155 737	-	-
	<b>1 523 445</b>	<b>1 373 937</b>	<b>-</b>	<b>-</b>

### Remuneration of the Chief Finance Officer

Annual Remuneration	333 424	500 137	333 424	500 137
Travel, housing and other allowances	412 811	680 092	412 811	680 092
Performance Bonuses	9 027	12 258	9 027	12 258
Leave paid	90 931	-	90 931	-
	<b>846 193</b>	<b>1 192 487</b>	<b>846 193</b>	<b>1 192 487</b>

The Chief Financial Officer was suspended on full pay effectively from July 2015. His contract was subsequently terminated during February 2016.

Since November 2015, the municipality subsequently appointed an Acting Chief Financial Officer. R714 558 was paid to the Acting Chief Financial Officer during the period November 2015 - June 2016.



# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

### 21. Employee related costs (continued)

#### Remuneration of Chief Financial Officer - Umhlosinga Development Agency

Annual Remuneration	722 250	506 250	-	-
Travel, housing and other allowances	240 750	168 750	-	-
Contributions to UIF, Medical and Pension Funds	168 321	64 656	-	-
	<b>1 131 321</b>	<b>739 656</b>	<b>-</b>	<b>-</b>

#### Remuneration of General Manager - Corporate Services

Annual Remuneration	648 833	648 833	648 833	648 833
Travel, housing and other allowances	354 652	354 640	354 652	354 640
Contributions to UIF, Medical and Pension Funds	10 937	11 070	10 937	11 070
	<b>1 014 422</b>	<b>1 014 543</b>	<b>1 014 422</b>	<b>1 014 543</b>

The General Manager - Corporate Services acted as Municipal Manager during the period January 2016 - March 2016.

#### Remuneration of General Manager - Community Services

Annual Remuneration	771 550	203 048	771 550	203 048
Travel, housing and other allowances	203 048	246 944	203 048	246 944
Contributions to UIF, Medical and Pension Funds	10 428	10 960	10 428	10 960
	<b>985 026</b>	<b>460 952</b>	<b>985 026</b>	<b>460 952</b>

#### Remuneration of General Manager - Technical Services

Annual Remuneration	353 389	658 894	353 389	658 894
Travel, housing and other allowances	168 806	369 376	168 806	369 376
Contributions to UIF, Medical and Pension Funds	7 479	11 117	7 479	11 117
Leave paid	119 301	-	119 301	-
	<b>648 975</b>	<b>1 039 387</b>	<b>648 975</b>	<b>1 039 387</b>

The General Manager - Technical Services resigned in December 2015. The Municipality subsequently appointed a General Manager - Technical Services on 01 April 2016. R275 185 was paid in salaries and allowances to the Acting General Manager - Technical Services during the period April - June 2016.

#### Remuneration of General Manager - Planning & Economic Development

Annual Remuneration	117 581	705 487	117 581	705 487
Travel, housing and other allowances	51 860	287 287	51 860	287 287
Contributions to UIF, Medical and Pension Funds	2 778	10 925	2 778	10 925
Leave paid	93 124	-	93 124	-
	<b>265 343</b>	<b>1 003 699</b>	<b>265 343</b>	<b>1 003 699</b>

The General Manager - Planning & Economic Development resigned in August 2015. As at 30 June 2016, the position of General Manager - Planning & Economic Development was held in an acting capacity. Acting allowances of R54 636 were paid during the period October 2015 - June 2016.

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

### 22. Remuneration of councillors

Mayor	731 529	731 529	731 529	731 529
Deputy Mayor	590 118	621 714	590 118	621 714
Speaker	591 426	625 323	591 426	625 323
Executive Committee Members	1 672 597	1 714 742	1 672 597	1 714 742
Councillors	2 859 869	3 027 722	2 859 869	3 027 722
	<b>6 445 539</b>	<b>6 721 030</b>	<b>6 445 539</b>	<b>6 721 030</b>

#### Mayor

Mayoral allowance	563 040	563 040	563 040	563 040
Travel allowance	140 760	140 760	140 760	140 760
Cellphone allowance	20 868	20 868	20 868	20 868
Contributions to UIF, Medical and Pension Funds	6 861	6 861	6 861	6 861
	<b>731 529</b>	<b>731 529</b>	<b>731 529</b>	<b>731 529</b>

#### Deputy Mayor

Annual remuneration	450 432	450 432	450 432	450 432
Travel allowance	112 608	112 608	112 608	112 608
Cellphone allowance	20 868	20 868	20 868	20 868
Reimbursable allowance	700	32 045	700	32 045
Contributions to UIF, Medical and Pension Funds	5 510	5 761	5 510	5 761
	<b>590 118</b>	<b>621 714</b>	<b>590 118</b>	<b>621 714</b>

#### Speaker

Annual remuneration	450 432	450 432	450 432	450 432
Travel allowance	112 608	112 608	112 608	112 608
Cellphone allowance	20 868	20 868	20 868	20 868
Reimbursable allowance	2 008	35 625	2 008	35 625
Contributions to UIF, Medical and Pension Funds	5 510	5 790	5 510	5 790
	<b>591 426</b>	<b>625 323</b>	<b>591 426</b>	<b>625 323</b>

### In-kind benefits

The Executive Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are full-time.

The Mayor and Speaker are provided with an office and secretarial support at the cost of the Council.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

All Councillors are re-imbursed for kilometres travelled on official duties with the exception of the Mayor.

The Mayor and Speaker have two full-time bodyguards and one relief bodyguard.

### 23. Depreciation and amortisation

Property, plant and equipment (including intangible assets)	36 515 366	28 269 912	36 347 769	28 097 711
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# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

### 24. Finance costs

Trade and other payables	126 425	135 315	-	-
Current borrowings	2 225 598	6 226 907	2 225 598	6 226 907
	<b>2 352 023</b>	<b>6 362 222</b>	<b>2 225 598</b>	<b>6 226 907</b>

### 25. Debt impairment

Contributions to debt impairment provision	11 660 476	(24 662 719)	11 660 476	(24 662 719)
Bad debts written off	548 395	41 448	548 395	-
	<b>12 208 871</b>	<b>(24 621 271)</b>	<b>12 208 871</b>	<b>(24 662 719)</b>

### 26. Repairs and maintenance

#### Repairs and maintenance comprised the following:

Electricity infrastructure	413 336	1 537 001	413 336	1 537 001
Furniture and equipment	-	200 272	-	200 272
Motor vehicles	1 637 900	1 023 712	1 637 900	1 023 712
Buildings	680 237	1 396 742	676 874	1 348 696
Water distribution	30 490 045	42 344 421	30 490 045	42 344 421
	<b>33 221 518</b>	<b>46 502 148</b>	<b>33 218 155</b>	<b>46 454 102</b>

### 27. Bulk purchases

Electricity	29 793 680	31 572 417	29 793 680	31 572 417
Water	43 807 319	57 469 902	43 807 319	57 469 902
	<b>73 600 999</b>	<b>89 042 319</b>	<b>73 600 999</b>	<b>89 042 319</b>

### 28. Contracted services

Contracted expenditure incurred during the year	31 035 955	39 597 464	13 431 591	31 525 197
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#### Contracted services comprised the following:

Consultants fees	1 893 446	2 962 671	1 893 446	2 962 671
Disaster management	-	4 055 505	-	4 055 505
Insurance	685 613	1 354 970	685 613	1 354 970
Fleet management	778 342	7 611 824	778 342	7 611 824
Vehicle hire	369 734	743 989	369 734	743 989
Photocopies and office equipment rental	1 477 305	1 731 363	1 412 832	1 673 341
Cellular and data services	2 093 794	762 212	2 093 794	762 212
IT services	424 240	163 953	424 240	163 953
Internal audit fees	2 125 002	3 411 916	2 125 002	3 411 916
Communication	806 500	3 216 020	806 500	3 216 020
Security services	2 332 965	4 069 922	2 332 965	4 069 922
School nutrition programme	17 539 891	8 014 245	-	-
Other services	509 123	1 498 874	509 123	1 498 874
	<b>31 035 955</b>	<b>39 597 464</b>	<b>13 431 591</b>	<b>31 525 197</b>

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R
<b>29. General expenses</b>				
Accounting fees	32 014	4 572	32 014	4 572
Advertising	144 588	525 380	133 804	491 599
Administration expenses	23 277	37 104	-	-
Bank charges	476 846	338 011	461 474	325 860
Cleaning	56 712	7 130	52 761	2 169
Auditors remuneration	3 695 419	3 108 721	3 057 443	2 507 642
Grants & Subsidies - Rural Transport Management	403 825	1 162 596	403 825	1 162 596
Consulting and professional fees	1 392 498	5 643 629	1 342 847	4 252 718
Consumables	15 992	19 519	-	-
Grants & Subsidies - Mseleni Ground Nuts	749 347	289 440	749 347	289 440
Grants & Subsidies - Disaster Management	2 043 135	25 440	2 043 135	25 440
Fines and penalties	515 584	446 000	515 584	446 000
Entertainment	18 784	175 152	18 784	170 719
Grants & Subsidies - FMG Operational Costs	-	376 305	-	376 305
Grants & Subsidies - Jozini RHIG Sanitation	7 013 596	3 505 265	7 013 596	3 505 265
Grants & Subsidies - MSIG Operational Costs	385 550	599 939	385 550	599 939
Legal Fees	3 195 138	87 026	3 195 138	87 026
Insurance	37 612	35 734	-	-
Community development and training	138 500	163 945	138 500	163 945
Conferences and seminars	10 338	42 074	-	-
Fleet	3 000	11 000	3 000	11 000
Licences	574 592	762 468	574 592	762 468
Other expenses	2 692 989	3 351 118	2 692 989	3 351 118
Hire of Plant & Equipment	2 234 434	27 236 701	2 234 434	27 236 701
Mayoral Discretionary Fund	26 169	82 423	26 169	82 423
Medical expenses	43 904	29 559	43 904	29 559
Fuel and oil	1 614 014	532 466	1 613 282	531 464
Placement fees	-	201 770	-	201 770
Publicity	26 419	911 659	26 419	911 659
Postage and courier	1 621	3 976	961	2 650
Printing and stationery	36 048	200 081	20 803	175 173
Gender, Youth, Children & Senior Citizen	165 815	375 416	165 815	375 416
Disaster Management	-	210 250	-	210 250
Sports DC27	135 605	4 198 231	135 605	4 198 231
Small tools	8 712	229 404	3 770	27 535
Systems Support	525 705	1 294 492	525 705	1 294 492
Subscriptions and membership fees	-	5 526	-	-
Telephone and fax	1 231 880	1 635 706	1 221 156	1 586 830
Transport and freight	-	540	-	540
Training	397 363	489 346	397 363	470 687
Tourism Projects	300 000	890 556	300 000	890 556
Municipal Health	12 492	332 523	12 492	332 523
Uniforms	-	235 907	-	234 013
Arts and Culture	4 864	475 370	-	329 531
Inventory expensed - Umhlatuze Water	7 213 767	364 499	6 445 857	-
Inventory loss	27 434 751	763 694	27 434 751	763 694
Disability	-	228 445	-	228 445
Grants & Subsidies - Extended Public Works	1 048 195	1 312 344	1 048 195	1 312 344
VAT impairment	1 424 799	7 692 327	1 424 799	7 692 327
Operation Turn Around	599 590	-	599 590	-
Grants & Subsidies - ACIP Water *	48 678 231	23 265 985	48 678 231	23 265 985
Events Organisations	1 000	-	1 000	-
Accommodation	1 627 868	2 563 210	1 557 230	2 257 624
HIV & AIDS Prevention	-	322 039	-	322 039
Grants & Subsidies - Umhlosinga Development Agency	-	-	3 000 000	8 330 158
	<b>118 412 582</b>	<b>96 802 013</b>	<b>119 731 914</b>	<b>101 830 440</b>

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R
<b>29. General expenses (continued)</b>				
* R48 678 231 was incurred by the municipality during the current financial year (2015: R23 265 985) for the provision of VIP toilets.				
<b>30. Tax paid</b>				
Current tax for the year recognised in surplus or deficit	(44 035)	-	-	-
<b>31. Cash generated from operations activities</b>				
Surplus	146 378 810	38 530 908	144 905 716	42 674 691
<b>Adjustments for:</b>				
Depreciation and amortisation	36 515 366	28 269 912	36 347 769	28 097 711
Finance costs	2 225 598	6 226 907	2 225 598	6 226 907
Debt impairment	12 208 871	(24 662 719)	12 208 871	(24 662 719)
Movements in provisions	1 201 940	734 012	1 201 940	698 000
VIP toilets expensed	48 678 231	23 265 985	48 678 231	23 265 985
Other non-cash movements	(2 773 992)	19 428 978	(2 773 987)	19 428 978
<b>Changes in working capital:</b>				
Inventories	23 572 430	(73 654 612)	23 572 430	(73 654 612)
Receivables from exchange transactions	(5 724 124)	(75 169 256)	(6 694 056)	(66 377 952)
Other receivables from exchange transactions	(2 410 380)	1 075 556	(2 410 380)	1 075 556
Payables from exchange transactions	24 272 191	104 248 511	26 344 415	97 685 270
VAT	(27 926 067)	(12 645 505)	(27 689 151)	(11 852 318)
Unspent conditional grants and receipts	(5 313 124)	15 673 421	(9 438 523)	11 267 202
Consumer deposits	12 110	(126 098)	12 110	(126 098)
	<b>250 917 860</b>	<b>51 196 000</b>	<b>246 490 983</b>	<b>53 746 601</b>

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R
<b>32. Commitments</b>				
<b>Commitments in respect of capital expenditure</b>				
<b>Approved and contracted for</b>				
• Infrastructure	331 066 994	259 113 005	331 066 994	259 113 005
• Airport establishment	4 000 000	20 000 000	-	-
• School nutrition project	22 000 000	22 000 000	-	-
• King Zwelthini Royal Resort	-	2 000 000	-	-
• Other	-	4 800 000	-	-
	<b>357 066 994</b>	<b>307 913 005</b>	<b>331 066 994</b>	<b>259 113 005</b>
<b>Approved but not yet contracted for</b>				
• Infrastructure	-	-	-	-
<b>Total capital commitments</b>				
Approved and contracted for	357 066 994	307 913 005	331 066 994	259 113 005
<b>Authorised operational expenditure</b>				
<b>Approved and contracted for</b>				
• Operating leases (as lessee)	1 078 205	2 217 627	980 399	2 070 918
<b>Total operational commitments</b>				
Already contracted for but not provided for	1 078 205	2 217 627	980 399	2 070 918
<b>Total commitments</b>				
<b>Total commitments</b>				
Authorised capital expenditure	357 066 994	307 913 005	331 066 994	259 113 005
Authorised operational expenditure	1 078 205	2 217 627	980 399	2 070 918
	<b>358 145 199</b>	<b>310 130 632</b>	<b>332 047 393</b>	<b>261 183 923</b>
<b>Operating leases - as lessee</b>				
<b>Minimum lease payments due</b>				
- within one year	798 610	1 139 422	749 707	1 090 519
- in second to fifth year inclusive	279 595	1 078 205	230 692	980 399
	<b>1 078 205</b>	<b>2 217 627</b>	<b>980 399</b>	<b>2 070 918</b>

Operating lease payments represent rentals payable by the municipality and the municipal entity for office equipment leased. Leases are contracted for an average term of three years with no contingent rentals payable.

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

Economic entity		Controlling entity	
2016 R	2015 R	2016 R	2015 R

### 33. Contingencies

#### Wage curve agreement

The Municipality did not conduct the job evaluation as per the Wage curve agreement. As a result, the possible obligation as at 30 June 2016 could not be reliably estimated and provided for in the accounting records.

#### Disciplinary matters

As at 30 June 2016, the municipality had two (2) separate employee related pending disciplinary matters. The final outcome of the matter between the municipality and the Supply Chain Manager was pending whilst the decision in the matter between the municipality and the Chief Financial Officer was appealed. Should the outcome of both matters favour respective claimants, the municipality may be liable for compensation of up to R400 000.

#### Disputes with service providers

Letters of demand and summons in respect of amounts in dispute were received during the current financial year relating to goods and services rendered to the municipality in the past.

#### Service providers versus UKDM

The service provider has claimed that the municipality is liable for R2 200 000 relating to work performed on the Mpukunyoni CWSS project. The amount claimed was still in dispute as at 30 June 2016.

The service provider was appointed to implement emergency water and sanitation services including drilling, development and test boreholes. The amount claimed to the value of R117 269 was disputed by the municipality and was still in dispute as at 30 June 2016.

The service provider was appointed to undertake construction work at the Ndumo treatment plant. The budget on the project was subsequently exhausted. The amount claimed to the value of R1 000 000 was claimed which was disputed by the municipality.

A service provider was appointed to perform IT related services at the municipality. The amount claimed to the value of R16 150 was disputed by the municipality and was still in dispute as at 30 June 2016.

The service provider was appointed to perform bulk water maintenance in the region. The amount claimed to the value of R11 200 000 was disputed by the municipality and was still in dispute as at 30 June 2016.

The service provider was appointed as an insurance consultant to assist municipal employees with risk cover. Due to financial constraints the municipality was unable to continue providing the aforementioned benefit to employees. The amount claimed to the value of R8 000 000 was disputed by the municipality and was still in dispute as at 30 June 2016.

#### Contingent assets

A claim was made by Umhlosinga Development Agency, the municipal entity, against the former chief financial officer for R705 167 in respect of payments made into another bank account. Case no. 98/02/2015 was opened and currently being investigated by the special commercial crimes unit. Recent negotiations with her attorney have given strong indications that the claim may be considered probable to be met in full in the near future.

### 34. Prior period errors

The correction of the error(s) results in adjustments as follows:

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

### 34. Prior period errors (continued)

#### Statement of financial position

Property, plant and equipment - Cost	-	(54 151 770)	-	(54 151 770)
Property, plant and equipment - Accumulated depreciation	-	(6 289 141)	-	(6 289 141)
Heritage assets	-	586 000	-	586 000
Finance lease liability	-	1 526 049	-	1 526 049
Inventories	-	73 511 684	-	73 511 684
Operating lease liability	-	(120 116)	-	(120 116)
Payables from exchange transactions	-	(52 231 802)	-	(52 042 468)
Receivables from exchange transactions	-	29 420 228	-	30 125 395
Provision for doubtful debts	-	42 017 573	-	42 017 573
VAT	-	(6 001 248)	-	(6 026 345)
Consumer deposits	-	807 201	-	807 201
	-	<b>29 074 658</b>	-	<b>29 944 062</b>



# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R
<b>34. Prior period errors (continued)</b>				
<b>Statement of Financial Performance</b>				
Service charges	-	(6 584 397)	-	(6 584 397)
Interest income - Outstanding debtors	-	(7 713 388)	-	(7 713 388)
Rental of facilities	-	(42 000)	-	(42 000)
Other revenue	-	(807 201)	-	(807 201)
Bulk purchases	-	19 639 187	-	19 639 187
Contracted services	-	3 916 138	-	3 916 138
Contribution to provision for debt impairment	-	(42 017 573)	-	(42 017 573)
Depreciation	-	109 565	-	109 565
Employee costs	-	139 869	-	139 869
Finance charges	-	(243 083)	-	(243 083)
General expenses	-	14 130 885	-	13 961 398
Repairs and maintenance	-	16 371 657	-	16 371 657
	-	<b>(3 100 341)</b>	-	<b>(3 269 828)</b>
<b>Statement of Changes in Net Assets</b>				
Accumulated surplus	-	25 974 322	-	26 674 235
<b>Disclosures</b>				
Fruitless and wasteful expenditure	-	5 470 252	-	5 470 252
Irregular expenditure	-	34 270 587	-	34 270 587
Material losses	-	763 694	-	763 694
	-	<b>40 504 533</b>	-	<b>40 504 533</b>

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

Economic entity		Controlling entity	
2016 R	2015 R	2016 R	2015 R

### 34. Prior period errors (continued)

**Correction of the aforementioned prior period errors were attributed to:**

#### Property, plant and equipment

During the physical verification of municipal assets it was discovered that there were assets that belong to the municipality which were never recorded in the municipality's asset register and accounting records. In addition to unrecorded assets, the municipality did not correctly account for retentions and capital expenditure in the prior year. This resulted in the misstatement of the retentions liability and capital work in progress. These errors were corrected retrospectively and the effect was as follows:

Increase in newly identified assets by R23 887 459

Decrease in Property, plant and equipment as a result of retentions incorrectly accounted for by R1 058 604

Decrease in Retentions liability - Payables from Exchange Transactions by R1 058 604

Increase in creditors - Payables from Exchange Transactions by R182 227

Increase in Accumulated depreciation by R6 894 253

Increase in Accumulated surplus by R16 116 013.

#### Accumulated depreciation

Accumulated depreciation had a net increase as a result of newly identified assets and finance lease assets derecognised. The effect was as follows:

Increase in Accumulated depreciation by R7 637 656

Decrease in Finance lease assets by R1 438 524

#### Heritage assets

The municipality has a Mayoral chain that qualifies as a heritage asset in terms of GRAP103, it was not previously accounted in the accounting records. The valuation of this asset was performed and the correction was performed retrospectively. The effect of this was as follows:

Increase in Heritage Assets as at 01 July 2014 by R586 000.

Increase in the Opening Accumulated Surplus as at 01 July 2014 by R586 000.

#### Finance and operating lease liabilities

The municipality incorrectly recognised assets leased under an operating lease, as a finance lease. The lease classification criteria per GRAP13 was revisited, the correction was made retrospectively and the effect of this was as follows:

Decrease in Finance lease liability as at 30 June 2015 by R1 526 049

Decrease in Property, plant and equipment - Finance leased assets as at 30 June 2015 by R2 995 328

Decrease in Accumulated Depreciation as at 30 June 2015 by R1 348 524

Increase in the operating lease liability as at 30 June 2015 by R120 116

Decrease in Opening Accumulated surplus as at 01 July 2014 by R129 798

Increase in Contractual services - lease payments for the year ended 30 June 2015 by R988 002

Decrease in Depreciation for the year ended 30 June 2015 by R633 847

Decrease in Finance charges for the year ended 30 June 2015 by R243 083.

#### Inventories

The municipality purchased water pipes during the 2012 financial year and incorrectly capitalised other inventory pipes costs and related operating expenditure as Capital Work in Progress. Due to lack of supporting documents, the valuation of inventory on hand could not be substantiated in prior financial years. The municipality engaged the services of asset management specialist to assist the valuation of these water pipe inventory. The correction was made retrospectively and the effect was as follows:

Decrease in Property, plant and equipment - Capital Work in Progress by R75 152 571

Increase in General expenditure - Inventory loss by R763 694

Increase in Inventory balance by R73 511 684.

#### Payables from exchange transactions

##### Controlling entity

The municipality did not recognise expenditure in respect of goods and services rendered and received in the prior years, and not paid for at the end of the financial reporting period. This was corrected retrospectively and the effect was as follows:

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

Economic entity		Controlling entity	
2016 R	2015 R	2016 R	2015 R

### 34. Prior period errors (continued)

Decrease in Opening Accumulated Surplus by R2 973 238  
Increase in Property, plant and equipment - Capital Work in Progress by R1 167 274  
Increase in Repairs and Maintenance by R16 371 657  
Increase in Bulk purchases by R12 644 767  
Increase in General expenses by R4 663 451  
Increase in Payables from exchange transactions by R52 820 977  
Increase in Unclaimed input VAT by R4 418 334.

#### Municipal entity

During the 2014, expenses amounting to R 189 334 were not recorded in the accounting records (expenditure and accrual accounts) of the municipal entity. This resulted to a suspense account with a debit balance as payments were made to suppliers that were not recorded as accruals.

#### Provision for 13th cheque payments

The municipality also did not accurately compute the 13th cheque provision in the prior year. This error was corrected retrospectively and the effect was as follows:

Increase in Provision for 13th cheque payments by R139 868  
Increase in Employee costs by R139 868.

#### Receivables from exchange transactions

##### Controlling entity

The municipality engaged Water Solutions Southern Africa (WSSA) to assist with the operations and maintenance of certain schemes. WSSA also performs the billing and collection of revenue on behalf of the municipality, these transactions were not recorded in the accounting records, thus resulting in the understatement of consumer debtors and revenue from exchange transactions. The municipality also recognised interest on outstanding debtors in accordance with the requirements of MFMA, which was considered irrecoverable. The correction was performed retrospectively and the effect was as follows:

Increase in Opening Accumulated Surplus as at 01 July 2015 by R13 075 258  
Increase in Revenue from exchange transactions for the year ended 30 June 2015 by R6 584 396  
Increase in Receivable from exchange transactions as at 30 June 2015 by R30 125 394  
Increase in undeclared VAT output by R2 752 352.

#### Municipal entity

During the year ended 30 June 2014 an amount of R 705 167 was fraudulently paid into the wrong account instead of the SARS account. This amount was recognised as a receivable at the time, however, subsequent to the year end the municipal entity realised that it was not appropriate to raise a debtor but a contingent asset since its recoverability is contingent upon the court sanctioning the repayment of the amount.

#### Provision for doubtful debts

The municipality reviewed in detail and revised its the risk profiling utilised to calculate the provision for doubtful debt in the prior year. The municipality also recognised interest on outstanding debtors in accordance with the requirements of MFMA, which was considered irrecoverable. The correction of the revised calculation was made retrospectively and the effect of this was as follows:

Increase in Contribution to provision for doubtful debts as at 30 June 2015 by R42 017 573  
Decrease in Provision for doubtful debt as at 30 June 2015 by R42 017 573.

#### VAT

The municipality has a VAT receivable in respect of the net VAT input claims submitted to SARS in the prior years. Some of the claims were disallowed by SARS and the municipality did not respond on time to address the issues that resulted in SARS disallowing these claims. Currently there are attempts being undertaken to recover these monies. The municipality has adopted a prudence approach and raised an impairment provision on the VAT receivable. This was performed retrospectively and the effect was as follows:

Increase in the General expenditure - VAT impairment for the year ended 30 June 2015 by R7 692 327  
Increase in provision for doubtful debt as at 30 June 2015 by R7 692 327.

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

### 34. Prior period errors (continued)

#### Consumer deposits

The municipality incorrectly accounted for Consumer deposits in prior years resulting in an overstatement of the account balance. A detailed review of the Consumer deposit listing was performed and subsequently updated. The effect was as follows:

Increase in Other revenue for the year ended 30 June 2015 by R807 201

Decrease in Consumer deposits for the year ended 30 June 2015 by R807 201.

#### Rental revenue

The municipality did not reconcile rentals deducted from employees in respect of staff accommodation in 2015. The municipality subsequently reconciled monthly rentals deducted from employees including the suspense in the current financial year. The effect was as follows:

Increase in Rental revenue as at 30 June 2015 by R42 000

Decrease in Payables from exchange transactions as at 30 June 2015 by R42 000.

#### General expenses

##### Municipal entity

Expenses amounting to R 194 583.91 were recorded in the incorrect accounting period by the municipal entity. Services were rendered in the 2014/15 financial year also the VAT was accounted in incorrect period R25 096.92. This was retrospectively corrected in the current financial year.

#### Disclosures

##### Interest and penalties

Interest was charged on the late payment of an outstanding creditor relating to the prior year. Interest was previously not included as fruitless and wasteful expenditure.

##### Inventory losses

The municipality did not include certain items of expenditure considered irregular in nature in the prior year. Irregular expenditure was subsequently updated and corrected retrospectively in the current year.

##### Inventory losses

The municipality did not account for inventory losses in the comparative period. Inventory losses were subsequently recognised and accounted for in the current financial year. This was retrospectively corrected and restated in the comparative period.

### 35. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

#### Statement of financial position

Other financial liabilities	-	5 119 463	-	5 119 463
Payables from exchange transactions	-	(5 255 263)	-	(5 119 463)
Provisions - Provision for leave pay	-	135 800	-	-

#### Statement of Financial Performance

Repairs and maintenance	-	610 110	-	610 110
General expenses	-	2 263 690	-	2 263 690
Contracted services	-	(2 873 800)	-	(2 873 800)

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

### 36. Risk management

#### Interest rate risk

The economic entity's interest rate risk arises from long-term borrowings from DBSA.

At year end, financial instruments exposed to interest rate risk were as follows:

Loan from Development Bank of South Africa.

FNB Bank Call deposits.

FNB Bank, ABSA and Ithala Bank Notice deposits.

#### Liquidity risk

Liquidity risk is the risk that the economic entity will not be able to meet its financial obligations as they become due. The municipality ensures that adequate funds are available to meet its expected and unexpected financial commitments.

The economic entity's risk to liquidity is a result of the funds available to cover future commitments. The economic entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

#### The following liabilities were due within 1 month:

Consumer deposits R1 193 053 (2016) R1 180 943 (2015)

Payables from exchange transactions R250 688 080 (2016) R226 415 887 (2015).

#### The following liabilities were due from 1 month to 12 months:

Unspent conditional grants and receipts R34 385 211 (2016) R39 698 335 (2015)

Current portion of defined benefit plan obligations R223 000 (2016) R108 000 (2015)

Borrowings R839 102 (2016) R1 499 973 (2015).

#### Credit risk exposure

The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty. The investments are diversified among the reputable commercial banks.

The consumer debtors are settled on a monthly basis. Upon new connections a consumer deposit is paid in advance.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

### 37. Unauthorised expenditure

Opening balance	178 548 229	53 595 334	178 548 229	53 595 334
Add: Unauthorised expenditure - Current year	34 927 681	124 952 895	34 927 681	124 952 895
	<b>213 475 910</b>	<b>178 548 229</b>	<b>213 475 910</b>	<b>178 548 229</b>

Unauthorised expenditure in the current financial year was incurred as a result of expenditure which exceeded the approved budget.

Refer to Appendix A for the comparison of actual versus budgeted expenditure.

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

### 38. Fruitless and wasteful expenditure

Opening balance	8 329 553	2 761 311	8 329 553	2 649 882
Add: Fruitless and wasteful expenditure - Current year	642 008	5 811 817	515 583	5 679 671
Less: Amounts condoned	-	(243 575)	-	-
	<b>8 971 561</b>	<b>8 329 553</b>	<b>8 845 136</b>	<b>8 329 553</b>

Fruitless and wasteful expenditure comprised interest and penalties relating to SARS declarations and late payment of creditors.

### 39. Irregular expenditure

Opening balance	1 320 946 334	1 151 880 784	1 313 437 186	1 148 782 553
Add: Irregular Expenditure - current year	237 560 487	169 065 550	237 311 395	164 654 633
Less: Amounts condoned	(1 659 352)	-	-	-
	<b>1 556 847 469</b>	<b>1 320 946 334</b>	<b>1 550 748 581</b>	<b>1 313 437 186</b>

### Transactions with suppliers in which partners or associates of employees, councillors or directors had an interest however connection was not declared.

During the year the municipality transacted with the following suppliers amounting to R17 384 653 where partners or associates of employees, councillors or directors had an interest however connection was not declared:

Supplier	Municipal Official	Position	
Hydro Services and Fabrications CC	Sihlangu Joffrey Vilane	Councillor	3 206 910
Ndingamsholo Trading	Israel Fana Nyawo	Councillor	125 177
Diza Kamatoto Company (Pty) Ltd	Muntuwethu Duncan Shandu	Credit Control Clerk	130 161
UWP Consulting	Mabhudu Israel Tembe	Inkosi	13 922 405

### Transactions with suppliers in which persons in service of other state institutions have an interest however connection was not declared.

During the year the municipality transacted with twelve (12) suppliers in which persons in service of other state institutions have an interest however connection was not declared.

Value of awards made	25 270 721
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### 40. Additional disclosure in terms of Municipal Finance Management Act

#### SALGA Fees

Current year subscriptions paid	1 665 784	1 000 936	1 665 784	1 000 936
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#### Audit fees

Opening balance	44 292	-	4 102	-
Current year fees raised	3 705 077	3 103 165	3 067 101	2 502 086
Amount paid - current year	(3 710 514)	(3 058 873)	(3 067 101)	(2 497 984)
Amount paid - previous years	(4 102)	-	(4 102)	-
	<b>34 753</b>	<b>44 292</b>	<b>-</b>	<b>4 102</b>

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

### 40. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### PAYE and UIF

Opening balance	1 040 137	1 055 958	923 319	807 060
Current year deductions	21 166 129	18 157 124	20 188 286	17 338 118
Amount paid - current year	(18 972 156)	(17 924 047)	(18 704 860)	(17 221 859)
Amount paid - previous years	(1 040 137)	(248 898)	(923 319)	-
	<b>2 193 973</b>	<b>1 040 137</b>	<b>1 483 426</b>	<b>923 319</b>

#### Pension and Medical Aid Deductions

Opening balance	4 010 328	1 805 102	4 010 328	1 805 102
Current year deductions and contributions	18 489 076	14 546 451	17 175 107	13 755 432
Amount paid - current year	(14 393 609)	(12 341 225)	(13 079 640)	(11 550 206)
Amount paid - previous years	(4 010 328)	-	(4 010 328)	-
	<b>4 095 467</b>	<b>4 010 328</b>	<b>4 095 467</b>	<b>4 010 328</b>

#### VAT

VAT receivable	46 258 146	18 332 079	45 744 421	18 055 270
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VAT output payables and VAT input receivables are shown in note 5. The Municipality did not submit VAT returns for the month of August and November 2015 on time.

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016:

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor G Dlozi	-	10 513	10 513
Councillor Z Nyawo	-	16	16
Councillor Zungu	-	22 526	22 526
	<b>-</b>	<b>33 055</b>	<b>33 055</b>

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor G Dlozi	-	10 513	10 513
Councillor Z Nyawo	-	16	16
Councillor Zungu	-	22 526	22 526
	<b>-</b>	<b>33 055</b>	<b>33 055</b>

# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

### 41. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the consolidated annual financial statements.

Items of goods and services were procured during the current financial year which deviated from the provisions of paragraph 12(1)(d)(i) as reflected above. As at 30 June 2016, deviations from Municipal Supply Chain Management Regulations amounted to:

Goods and services procured	19 007 161	6 531 242	4 008 207	-
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### 42. Distribution losses

Electricity distribution losses	7 775 791	6 096 276	7 775 791	6 096 276
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#### Electricity distribution loss calculated as:

	2016 kWh units	2016 Rand	2015 kWh units	2015 Rand
Electricity purchases	11 357 178	12 659 699	11 120 564	11 352 139
Less: Electricity sales	(4 933 146)	(4 883 908)	(5 684 270)	(5 255 863)
	<b>6 424 032</b>	<b>7 775 791</b>	<b>5 436 294</b>	<b>6 096 276</b>

#### Water distribution loss

Water distribution loss	17 745 527	36 560 649	17 745 527	36 560 649
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### 43. Material losses

Opening balance	763 694	-	763 694	-
Add: Material losses - Current year	27 434 751	763 694	27 434 751	763 694
	<b>28 198 445</b>	<b>763 694</b>	<b>28 198 445</b>	<b>763 694</b>

The municipality recognised inventory losses for the current and comparative period. Inventory losses incurred were as a result of water pipe movements which could not be accounted for during the current financial year. The municipality will investigate whether the loss is recoverable. Inventory losses have been included in general expenses.

### 44. Events after reporting date

The economic entity was not aware of any material events that may have occurred between 30 June 2016 and the date when the annual financial statements were authorised.



# Umkhanyakude District Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Annual Financial Statements

Economic entity		Controlling entity	
2016 R	2015 R	2016 R	2015 R

### 45. Going concern

We draw attention to the fact that at 30 June 2016, the economic entity had an accumulated surplus of R1 663 918 492 (2016) and R1 517 539 682 (2015 restated). Current liabilities exceeds current assets (i.e. excluding inventory) by R122 458 690 (2016) and R147 152 158 (2015 restated).

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the economic entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue funding for the ongoing operations for the municipality to restore the solvency of the municipality.

### 46. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

### 47. Actual capital expenditure versus budgeted capital expenditure

Controlling entity	Original budget	Adjustments	Final budget	Actual amounts on a comparable basis	Difference between final budget and actual
Capital expenditure	252 173 499	(3 925 881)	248 247 618	231 012 495	(17 235 123)

Although R248 million was budgeted for capital expenditure for 2015/16, actual expenditure reported per Note 8 was below the final budget by approximately 7%, which may be considered marginal.

# **ANNEXURE B**

**AUDITOR GENERAL'S REPORT – JUNE 2016**



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

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Auditor-General of South Africa

# uMkhanyakude District Municipality-audit report 2015-16

# **Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the Council on uMkhanyakude District Municipality**

## **Report on the consolidated and separate financial statements**

### **Introduction**

1. I audited the consolidated and separate financial statements of the uMkhanyakude District Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2016, the statement of financial performance, statement of changes in net assets, statement of changes in cash flows and the statement of comparison of budget and actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### **Accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2015 (Act No. 1 of 2015) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor-general's responsibility**

3. My responsibility is to express an opinion on the consolidated and separate financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse audit opinion.

## Basis for adverse of opinion

### Property, plant and equipment

6. The municipality did not recognise all items of property, plant and equipment in accordance with GRAP 17 *Property, plant and equipment*. Completed assets were recognised as assets under construction and were not depreciated. I was unable to determine the impact of this misstatement as it was impractical for me to do so. In addition, assets under construction and movable tangible assets could not be verified. I was unable to confirm these assets by alternative means. Consequently, I was unable to determine whether any further adjustment to property, plant and equipment stated at R1,66 billion in note 8 to the financial statements was necessary.

### Revenue, receivables from exchange transactions, VAT receivable and other receivables from exchange transactions

7. The municipality did not account for revenue from exchange transactions in accordance with GRAP 9 *Revenue from exchange transactions* due to inadequate internal controls in the billing and estimation thereof. I was therefore unable to determine the resultant impact of this misstatement on service charges revenue, receivables from exchange transactions, the surplus for the period and accumulated surplus as it was impractical to do so. Consequently, I was unable to determine whether any adjustment to service charges stated at R23,33 million (2015: R32,56 million) in note 16 and the related receivables from exchange transactions stated at R82,33 million (2015: R88,27 million) in note 6 to the financial statements was necessary.
8. I was unable to obtain sufficient appropriate audit evidence for other receivables from exchange transactions due to the status of accounting records. I was unable to confirm this amount by alternative means. Consequently, I was unable to determine whether any adjustment relating to other receivables from exchange transactions stated at R3,76 million (2015: R1,35 million) as disclosed in note 4 to the financial statements was necessary.
9. The municipality did not recognise value-added taxation (VAT) on the accrual basis of accounting, as required by GRAP 1 *Presentation of financial statements*. I was unable to determine the full extent of the misstatement of VAT receivable stated at R46,26 million (2015: R18,33 million) in note 5 of the financial statements, as it was impracticable to do so. Additionally, there was a resultant impact on the surplus for the period and on the accumulated surplus.

### Expenditure – Prior year unresolved misstatement

10. I was unable to obtain sufficient appropriate audit evidence related to prior year expenditure due to the status of accounting records. I was unable to confirm the prior year expenditure by alternative means. Consequently, I was unable to determine whether any adjustment relating to expenditure stated at R446,58 million in the financial statements comparatives figure was necessary.

## Irregular expenditure

11. The municipality made payments in contravention of the supply chain management (SCM) legislation that were not included in irregular expenditure of R237,56 million (2015: R169,07 million) disclosed in note 39 to the financial statements. Adequate systems and controls were not in place to ensure that all irregular expenditure was accounted for. I was not able to determine the full extent of the irregular expenditure as it was impracticable to do so.

## Water and electricity losses

12. I was unable to obtain sufficient appropriate audit evidence for the R17,75 million (2015: R36,56 million), and R7,78 million (2015: R6,1 million) disclosed as water and electricity losses, respectively in note 42 to the financial statements. This was due to inadequate systems and processes for the recording and monitoring of these losses. I could not confirm the disclosed losses through alternative means. Consequently, I was unable to determine whether any adjustment relating to the water and electricity losses disclosed in note 42 to the financial statements was necessary.

## Statement of changes in cash flows

13. The municipality did not prepare the statement of cash flows in accordance with GRAP 2 *Cash flow statements*. This was due to errors in the reconciliation of cash generated from operations disclosed in note 31 to the financial statements. I was not able to determine the full extent of the errors in the cash generated from operations stated at R250,92 million, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustment to the cash generated from operations stated at R250,92 million (2015: R51,20 million) in the financial statements was necessary.

## Adverse opinion

14. In my opinion, because of the significance of the matters described in the basis for adverse opinion paragraphs, the consolidated and separate financial statements do not present fairly the financial position of the uMkhanyakude District Municipality as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

## Emphasis of matters

15. I draw attention to the matters below.

## Material losses

16. As disclosed in note 43 to the financial statements, material losses of R27,43 million were incurred as a result of inventory losses written off.

## Financial sustainability

17. As disclosed in note 45 to the financial statements, it indicated that the municipality's current liabilities exceeded its current assets (excluding inventory) by R122,46 million (2015: R147,15 million) and that the municipality was not able to pay creditors when they became due. The inability to obtain additional funding as well as the increase in the receivables impairment allowance to 63% of receivables indicates the existence of material uncertainties that may cast significant doubt on the municipality's ability to operate in the foreseeable future.

## Additional matter

18. I draw attention to the matter below.

## Unaudited disclosure notes

19. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion thereon.

## Report on other legal and regulatory requirements

20. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

## Predetermined objectives

21. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the basic service delivery and infrastructure investment and local economic development objectives presented in the annual performance report of the municipality for the year ended 30 June 2016.
22. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
23. I evaluated the usefulness of the reported performance information to determine whether it was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for Managing Programme Performance Information (FMPPi).
24. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
25. The material findings in respect of the selected objective is as follows:

Basic service delivery and infrastructure investment

Usefulness of reported performance information

Measurability of indicators and targets

26. The FMPPI requires that performance targets should be specific in clearly identifying the nature and required level of performance and be measurable. A total of 40% of targets were not specific and measurable.
27. The FMPPI requires that performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. A total of 40% of indicators were not well defined.
28. The processes and systems that produced the indicator should be verifiable, as required by the FMPPI. A total of 20% of indicators were not verifiable.

Reliability of reported performance information

29. The FMPPI requires the municipality to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not reliable when compared to the source information.

Local economic development

Usefulness and reliability of reported performance information

30. I did not identify any material findings on the usefulness and reliability of the reported performance information for Local economic development objective.

### **Additional matter**

31. I draw attention to the following matter.

Achievement of planned targets

32. The annual performance report on pages x to x; x to x which includes information on the achievement of planned targets for the year should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 26 to 30 of this report.

### **Compliance with legislation**

33. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:



## Strategic planning and performance management

34. The key performance indicators (KPIs) set by the municipality did not include indicators on percentage of households with access to a basic level of water, sanitation, electricity and solid waste removal as required by section 43(2) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000)(MSA) and Municipal Planning and Performance Management Regulation 10(a).
35. The performance of the entity against the agreed performance objectives and indicators was not monitored and annually reviewed by the municipality for the 2015-16 period, as required by section 93B(b) of the MSA.

## Consequence management

36. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(a) of the MFMA.
37. Irregular and fruitless and wasteful expenditure incurred at the municipality and irregular expenditure incurred at the entity were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) and 102(1) of the MFMA respectively.
38. The accounting officer of the municipality did not always report to the South African Police Service cases of alleged irregular expenditure that constituted a criminal offence, as required by section 32(6) of the MFMA.

## Human resource management

39. Job descriptions at the municipality were not established for all posts in which appointments were made in the current year, in contravention of section 66(1)(b) of MSA.

## Revenue management

40. An effective system of internal control for debtors and revenue was not in place at the municipality, as required by section 64(2)(f) of the MFMA.

## Expenditure management

41. Money owed was not always paid within 30 days, as required by section 65(2)(e) and 99(2) of the MFMA.
42. Reasonable steps were not taken at the municipality to prevent unauthorised, irregular and fruitless and wasteful expenditure, while at the entity reasonable steps were not taken to prevent irregular expenditure as required by section 62(1)(d) and 95(d) of the MFMA respectively.

## Asset management

43. An effective system of internal control for assets was not in place at the municipality, as required by section 63(2)(c) of the MFMA.

## Annual financial statements

44. The annual financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of current assets, current liabilities and disclosure items identified by the auditors in the submitted financial statements of the municipality were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving an adverse audit opinion.

## Procurement and contract management

45. Goods and services of a transaction value above R200 000 at the municipality were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).
46. I could not obtain sufficient appropriate audit evidence at the municipality that contracts were awarded in accordance with the legislative requirements and a procurement process which is fair, equitable, transparent and competitive, as certain tender documents were not provided for audit.
47. I could not obtain sufficient appropriate audit evidence that contracts were only extended or modified after tabling the reasons for the proposed amendment in the council of the municipality as required by section 116(3) of the MFMA.

## Internal control

48. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the adverse opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

## Leadership

49. The leadership did not exercise adequate oversight responsibility regarding financial and performance reporting and compliance with laws and regulations. Leadership did not ensure that employees had a good understanding of policies and procedures, therefore preventing the effective implementation thereof. The leadership was also slow to respond to key control deficiencies highlighted in action plans.

## Financial and performance management

50. Management did not ensure that regular, accurate and complete financial and performance reports were prepared, which were supported and evidenced by reliable information, and daily controls were not always performed. Regular implementation and monitoring of controls designed to prevent, detect and address risks that impact on financial, performance and compliance reporting did not occur.

## Governance

51. Regular risk assessments did not take place and the audit committee did not meet regularly.

## Other reports

52. I draw attention to the following engagements that could potentially impact on the municipality's financial, performance and compliance related matters. My opinion is not modified in respect of these engagements that have been completed.

## Investigations

53. Two investigations performed by a private firm, at the request of the council relating to the conduct of two senior officials at the municipality were completed during the year. The outcome of these investigations resulted in the dismissal of one senior official and a settlement agreement was reached with the other senior official.

*Auditor - General*

Pietermaritzburg

20 December 2016



AUDITOR - GENERAL  
SOUTH AFRICA

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# **ANNEXURE C**

**AUDIT ACTION PLAN 2016/2017**



## UMKHANYAKUDE DISTRICT MUNICIPALITY

### AUDIT ACTION PLAN FOR 2016/2017

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
1.	<p>No meter readings were done for the year</p> <p>During the audit it was noted that not all meter readings are done on a monthly basis. Selected a sample of water &amp; electricity billing and noted that not all meters were read and estimates were not always made to recognise the revenue.</p> <p>Furthermore most of residential areas, water meters were not read for the greater part of the year and estimates were done for longer than three months which create unreliable estimate.</p>	FINANCIAL SERVICES	The Acting Chief Financial Officer	<p>The finding is noted by management. The municipality is currently in the process finalizing the meter installation project. The municipality will establish revenue and debt collection steering committee to look into the billing and revenue collection challenges.</p> <p>CoGTA will also assist the municipality by funding the data cleansing exercise.</p>	<ol style="list-style-type: none"> <li>1. Update and roll out of all the revenue related process flows and procedures.</li> <li>2. Finalize data cleansing and compile an accurate indigent register.</li> <li>3. Install meters in ALL the elite areas and repair all broken and faulty meters.</li> <li>4. Allocate meter readers in all the metered areas.</li> <li>5. Create a meter reading route list/ schedule that will be approved by the CFO, for use by the readers.</li> <li>6. The meter reading process will be monitored on a regular basis.</li> <li>7. Strengthen the credit control function: <ul style="list-style-type: none"> <li>- Identify a lucrative customer base to target for collection and strengthen our relationship.</li> <li>- Identify all consumers with balances outstanding for more than 90 days, and amounts exceeding R 100 000. Engage with these customers and agree on a payment plan.</li> <li>- Establish revenue and debt collection steering committee to look into the billing and revenue collection challenges.</li> </ul> </li> </ol> <p>(CoGTA will also assist the municipality by funding the data cleansing exercise.)</p>
	<p>Based on the audit of revenue electricity meter readings, it was noted that not all meters are read and estimates are not calculated for the months when meters were not read. this indicates that billing used to computer electricity losses is unreliable. (Refer to finding named "no meter readings done for the year")</p> <p>Furthermore, there was a difference between the purchases figure that is calculated by the auditor and that of the</p>	FINANCIAL SERVICES	The Acting Chief Financial Officer	<p>Management acknowledges the finding. The municipality used debit order amounts for the months mentioned above. We have since located all the invoices and updated our calculation, and the correction will be effected in the revised set of financial statements by 04 November 2016 (including the billing for November 2016). The municipality disagrees with the R 17 million loss from internal consumption. Eskom bills the municipality based on the electricity actually consumed.</p>	

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	client and this also misstates the electricity losses calculation:				
	During the asset verification, it was noted that certain assets were identified as complete and in use but still appear under Work in Progress.	<b>FINANCIAL SERVICES</b>	<b>The Acting Chief Financial Officer</b>	<p>The municipality is aware of that some of the projects named above have been completed. A submission of projects completed versus assets already taken on in the register as “new found” assets at fair value in prior years will be made. This would require an adjustment to the FAR. The projects will be credited and assets debited on the last transaction date on Pastel.</p> <p>Assets taken into the register will be removed retrospectively.</p> <p>The adjusting journal will be presented to the AG on Monday, 7 November.</p>	<p>1. With assistance from Technical Services, Finance Department will put together a team who will investigate such assets through site visitation and source project files. Corrections will be made on the FAR upon finalization of the exercise. A submission will be made to council where necessary have the assets written off if they do not exist.</p>

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	During asset verification certain movable assets could not be verified.	FINANCIAL SERVICES	The Acting Chief Financial Officer	Management partially agrees with the finding. Items 1-5,8, the Municipality agrees with the finding. These items were due to be written off but could thus not be removed from the register yet. Item 6, the truck is currently undergoing a service, where after it can be verified. Item 7, will be shown to the AG. Items 9-12, even though the items belong to the municipality, they are currently in possession of the service provider to assist in performing tasks intended to by the municipality. These can be verified by prior arrangement with the service provider.	An interim asset verification will be performed, during MiD Year to ascertain whether all assets recognised on the FAR exist. In cases where assets no longer exist they will be written off subject council approval before year end.
	During the audit certain bid specification documents could not be provided:	FINANCIAL SERVICES	The Acting Chief Financial Officer	Reasons for the non-availability of documentation have been indicated in the table above. The majority of cases were due to the fire in February 2012 in which many documents were completely destroyed. The municipality will improve its records management processes during the 2016/17 financial year.	SCM will undertake an exercise where all contractors in question are requested to submit information on their possession with a view of recreating files. In cases of actual bid documents not available, BID committees in assistance with Technical Services and the MM will reconvene to relook at the validity of contracts. Furthermore, legal advise will be sourced from legal services to determine the way forward.
	During the audit certain tender contract documents could not be provided for audit.	FINANCIAL SERVICES	The Acting Chief Financial Officer		
	During the audit, it was noted that registers relating to UIFW were not fully completed or did not have information about steps to recover the expenditure, write-off the expenditure or whether the matter is still under investigation and any corrective action.  There was also no evidence that UIFW incurred was reported to council. Furthermore, while we were informed that	FINANCIAL SERVICES	The Acting Chief Financial Officer	Management accepts the finding. The UIFW register was tabled at the October 2016 Finance Portfolio Committee meeting. It will also be included as a separate and standing item on the Council meeting agenda with effect from November 2016.	Services of an independent service provider will be sourced to assist with compilation of UIFW. Once the exercise is complete steps will be taken to invistagate where recomended UIFW expenditure for recovery. Reporting to the relevant structures will continue.

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	certain investigations are taking place, there was no evidence provided indicating that all UIFW reported in current and prior year was being investigated, nor was there evidence/report provided for such investigation and also reporting of irregular expenditure to SAPS.				
	PAYE and SDL not paid on or before the 7th of the month	<b>FINANCIAL SERVICES</b>	<b>The Acting Chief Financial Officer</b>	Management accepts the finding, the amount mentioned above was noted by the municipality and duly disclosed under fruitless and wasteful expenditure in the AFS presented for auditing.	All 3rd party payments will be processed 5 days after pay day. This was an isolated event which stringent controls have been implemented to avoid re-occurrence
	Expenditure not paid within 30 days During the audit the auditors noted that certain expenditure was not paid within 30 days from the invoice date which is in contradiction with the MFMA:	<b>FINANCIAL SERVICES</b>	<b>The Acting Chief Financial Officer</b>	Management accepts the finding. Due to liquidity challenges faced by the municipality, an Interim Finance Committee (IFC) was established to prioritise payments to creditors and improve the management of cash resources. As a result, payments to some suppliers were delayed during the 2015/16 financial year. Once the municipality's liquidity improves, payments to suppliers will be made timely.	Management accepts the finding. Due to liquidity challenges faced by the municipality, an Interim Finance Committee (IFC) was established to prioritise payments to creditors and improve the management of cash resources. As a result, payments to some suppliers were delayed during the 2015/16 financial year. Once the municipality's liquidity improves, payments to suppliers will be made timely.
	23. Supplier owned by employees in government  It was noted during the audit that there suppliers reported in the prior year to be owned by employees in the service of the state however municipality continued to award these suppliers thus expenditure is now classified as irregular expenditure.	<b>FINANCIAL SERVICES</b>	<b>The Acting Chief Financial Officer</b>	Management acknowledges the finding. The 4 cases identified as reported in the prior year have been included in the irregular register. The revised amount is R70 458 208.60, this will be updated in the AFS by 04 November 2016. The municipality presently uses Compuscan to detect employees in the service of the state conducting business with the state. Investigations will be done to improve weaknesses in the present system to prevent similar cases from recurring. The additional identified cases shall be disclosed in the annual financial statements, by 04 November 2016.	1. The municipality currently utilises the services of Compuscan to detect employees in the service of the state conducting business with the state. 2. Investigations will be done to improve weaknesses in the present system to prevent similar cases from recurring.



No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	<p>During the audit of receivables, it was noted that there was no proof that reasonable steps were taken to recover the debts given the following:</p> <ol style="list-style-type: none"> <li>1. No proof of legal correspondence or hand over of the major debtors to the attorney.</li> <li>2. No discontinuance of service was conducted.</li> <li>3. There was also lack of correspondences with the customer including making a payment arrangement with the debtors.</li> </ol> <p>The following are examples of long outstanding debtors, where no steps has been taken to recover the money overdue</p>	<b>FINANCIAL SERVICES</b>	<b>The Acting Chief Financial Officer</b>	<p>Management acknowledges the finding. Management will ensure that all outstanding debtors are followed up on. Government and commercial businesses will be targeted first with domestic customers followed up as the indigent policy is implemented. Furthermore a draft revenue enhancement strategy has been developed and presented to the finance portfolio committee. The strategy captures key activities that the municipality needs to perform around collection processes.</p>	<p>The municipality will implemented the revenue enhancement strategy as approved by the finance portfolio committee. The Credit control policy will be updated and presented to council during February which will guide the municipality on the processes that needs to be followed.</p>
	<p>During the audit of trade payables, it was noted that the following creditors did not have evidence of authorisation, in this regard the vouchers or supporting statement or documents were not signed or approved. It is therefore unclear if management has accepted the obligation for the creditors raised.</p>	<b>FINANCIAL SERVICES</b>	<b>The Acting Chief Financial Officer</b>	<p>Management agrees with the finding. The expenditure vouchers were not signed by any of the authorized signatories. However, the requisitions and orders were duly authorized. Management has ensured that the authorisation control measures are stringently applied.</p>	<p>Stringent controls have been implemented whereby all vouchers are approved by two signatories (CFO and AMM/Administrator) prior to release of funds. An exercise was conducted to ensure that all payments made for the 2015/16 financial year were duly approved</p>
	<p>During the audit it was noted there is no reconciliation between the general ledger and fixed asset register.</p> <p>There was also no evidence to provide that the asset register is updated and reviewed on a regular basis to ensure that errors are resolved timeously by management.</p>	<b>FINANCIAL SERVICES</b>	<b>The Acting Chief Financial Officer</b>	<p>Management agree with the finding. Municipality has now the Asset Management system; reconciliations will now be performed monthly.</p>	<p>Municipality has now the Asset Management system; reconciliations will now be performed monthly.</p>
	<p>It was noted from the audit work performed, for a sample of each consumer debtor selected, a consumer deposit amount could not be traced to the debtor account:</p>	<b>FINANCIAL SERVICES</b>	<b>The Acting Chief Financial Officer</b>	<p>Camelsa will be provided with information to raise deposits on Pastel Billing System for all customers. The listing for the 2015/16 financial year will reflect deposit amounts per consumer.</p>	<p>Camelsa will be provided with information to raise deposits on Pastel Billing System for all customers. The listing for the 2015/16 financial year will reflect deposit amounts per consumer.</p>

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	During the audit of the internal controls relating to VAT process no evidence was provided for monthly review of the vat reconciliation by management, the review is only done at year end.	FINANCIAL SERVICES	The Acting Chief Financial Officer	Management agree with the finding. Reviews of the VAT reconciliation will now be done on a monthly basis.	Reviews of the VAT reconciliation will now be done on a monthly basis.
	A. During the audit of procurement and contract management, it was noted that the accounting officer did not submit a report/resolution on the implementation of the supply chain management policy for the 2015/16 financial year to council. B. It was further noted that the accounting officer, did not submit a report on the implementation of the supply chain management policy to the mayor of the municipality of the board of directors of the municipality within 10 days of each quarter	FINANCIAL SERVICES	The Acting Chief Financial Officer	The Municipality has been reviewing the SCM Policy with the assistance from Provincial Treasury on a number of issues which were raised by the Auditor's during the FY 2014/15. The policy was reviewed by both parties (Municipality and Treasury) and the final draft document was tabled on March 2016 to Council as per Resolution No. UMD 865/16	The Municipality has been reviewing the SCM Policy with the assistance from Provincial Treasury on a number of issues which were raised by the Auditor's during the FY 2014/15. The policy was reviewed by both parties (Municipality and Treasury) and the final draft document was tabled on March 2016 to Council as per Resolution No. UMD 865/16  SCM implementation reports are prepared and presented to the finance portfolio committee, exco and full council
	Upon discussion with management, there is no fraud/ethics hotline established at the municipality to report on activities/allegations	FINANCIAL SERVICES	The Acting Chief Financial Officer	The finding by AG is acknowledged. A fraud / ethics hotline for be established as recommended by the AG.	A fraud / ethics hotline for be established as recommended by the AG.
	The absence of the processes for identifying the subsequent event may result in misstatement of the financial statement as a result of not accounting for adjusting events, or non-adjusting events.	FINANCIAL SERVICES	The Acting Chief Financial Officer	The audit finding is noted. In line with the AG's recommendation, controls over the identification of subsequent events will be designed and implemented during the 2016/17 financial period.	In line with the AG's recommendation, controls over the identification of subsequent events will be designed and implemented during the 2016/17 financial period.

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	<p>A review of the tender award letter for the Jozini Regional Community Water Supply Scheme project highlighted that Shula Construction was awarded the contract on 2 December 2015 at a cost of R22 266 070. The tender for the project was advertised on 1 June 2015</p> <p>A comparison of the award date and the advertisement of the tender highlighted that the tender process took 6 months to complete. The Technical Services Department (WSA Manager) noted that the procurement process should take 3 months to finalise the appointment of service providers. Consequently, the procurement process delayed the commencement of the project by 3 months. The delay for the completion of projects has adversely impacted on the service delivery needs of the community and the municipality's ability to provide services efficiently. The timeous completion of the Jozini Regional Community Supply Scheme project scheduled for 16 November 2016 will be adversely impacted on.</p>	<b>FINANCIAL SERVICES</b>	<b>The Acting Chief Financial Officer</b>	The AG finding is acknowledged and audit recommendation noted, training of bid committees has been done. Once a week, all bid committees are scheduled to sit to consider projects / bids. This ensures timely finalization / award of bids going forward.	Training of bid committees has been done. Once a week, all bid committees are scheduled to sit to consider projects / bids. This ensures timely finalization / award of bids going forward.
	During the audit, it was noted that revenue reconciliations are not prepared timely, not authorised by the relevant official.	<b>FINANCIAL SERVICES</b>	<b>The Acting Chief Financial Officer</b>	Management accepts the finding, the revenue monthly reconciliation for the 2016/17 financial year are now performed timely and reviewed accordingly.	Revenue monthly reconciliation for the 2016/17 financial year are now performed timely and reviewed accordingly.
	During the audit of petty cash, it was noted that the petty cash reconciliation which was prepared by Miss S.P Mathenjwa (Cashier) dated 30 May 2016, was not reviewed by the responsible official as required by the laws and regulations.	<b>FINANCIAL SERVICES</b>	<b>The Acting Chief Financial Officer</b>	Management accepts the finding, the petty cash monthly reconciliation for the 2016/17 financial year are now performed timely and reviewed accordingly.	Petty cash monthly reconciliation for the 2016/17 financial year are now performed timely and reviewed accordingly.

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	During the audit Petty cash, it was noted that the petty cash expenses are not captured exclusive of VAT as required by the laws and regulations.	<b>FINANCIAL SERVICES</b>	<b>The Acting Chief Financial Officer</b>	Management acknowledges the finding, an exercise has been undertaken to review 100% of all petty cash transactions for the 2015/16 financial year, an adjustment of R 637 will be processed in the GL and AFS.	An exercise has been undertaken to review 100% of all petty cash transactions for the 2015/16 financial year, an adjustment of R 637 was processed in the GL and AFS. On a monthly basis the accountant is tasked to review all petty cash transaction for the month and the manager signs off.
	There was no formal EFT policy and procedures process in place to govern EFT transfers. Furthermore, the following users with administrator rights on the FNB banking profile have not been terminated:  1. Elliot Mzimela (Previous Municipal Manager) 2. Nonhlanhla Z Ndlela (Previous General Manager Corporate Services) 3. Siyasanga Ndakisa (Previous Acting CFO)	<b>FINANCIAL SERVICES</b>	<b>The Acting Chief Financial Officer</b>	We are in agreement with the above audit finding and internal control deficiency. Management will develop an EFT policy for adoption by Council. Management will liaise with FNB regarding the functionality of the system in order to produce user activity logs and have the previous users removed.	Management will develop an EFT policy for adoption by Council. Management will liaise with FNB regarding the functionality of the system in order to produce user activity logs and have the previous users removed.
	Annual performance appraisal of the municipal entity not performed  The performance of uMhlozinga Development Agency against the agreed performance objectives and indicators was not monitored and annually reviewed by uMkhanyakude District Municipality for the 2015/16 period as required by section 93B(b) of the MSA.  Management will be unable to identify areas of under-performance and non-performance and take corrective action thus resulting in non-achievement of IDP objectives.	OFFICE OF THE MM	The acting Municipal Manager	The finding is acknowledged. For 2016/2017 close monitoring for UMDA will be done	by conducting regular performance assessments

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	During the audit, it was noted that the under-mentioned performance indicators and targets developed by the municipality, were not considered to be well defined and measurable	OFFICE OF THE MM	The acting Municipal Manager	The finding by AG is acknowledged. Standard operating procedures will be developed so that they regulate the crafting of targets using SMART principles.	By ensuring that a full list of KPIs are developed and are checked for compliance
	During the audit of predetermined objectives, a portfolio of evidence to verify the reported achievements in the annual performance report was not maintained for KPI 2.4.3 in the basic service delivery and infrastructure programme. Audit information was requested on 19 August 2016. Consequently the auditors were unable to confirm the validity, reliability and accuracy of the reported performance for the under-mentioned indicator	OFFICE OF THE MM	The acting Municipal Manager	The finding by AG is acknowledged. A standard operating system for portfolios of evidence will be developed with a view to regulating portfolio of evidence.	Secretaries will be requested to assist in compiling PoEs
	During the audit of predetermined objectives, it was noted that the portfolio of evidence maintained for KPI 2.4.2 to verify the actual was not valid, accurate and complete. The 4th quarter progress report was not approved by the technical services manager and the technical services report for repairs done at the Kwajobe Water Plant was not available for audit purposes.	OFFICE OF THE MM	The acting Municipal Manager	The finding by AG is acknowledged. A standard operating system for portfolios of evidence will be developed with a view to regulating portfolio of evidence	Development of SOPs

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	<p>The KPIs set by the municipality did not include indicators on percentage of households with access to basic level of water and/or sanitation and/or electricity and/or solid waste removal were not set by the municipality.</p> <p>The indicator for the percentage of households earning less than R1100 per month with access to free basic services was also incorrectly recorded on by municipality as "Number of households earning less than R1100 per month with access to free basic water"</p>	OFFICE OF THE MM	The acting Municipal Manager	The finding by AG is acknowledged. In future a "percentage" will be used as opposed to "number of households".	percentages will be used accordingly
	During the audit of predetermined objectives, it was noted that the portfolio of evidence maintained for KPI 2.3.1 and 2.3.2 was not valid, accurate and complete.	OFFICE OF THE MM	The acting Municipal Manager	Management accepts the finding. Recommendations from the AG will be implemented going forward to ensure performance information reported is credible.	Secretaries will be requested to assist in compiling PoEs
	<p>25. Monthly meter readings were not done</p> <p>During the audit it was noted that not all meter readings are done on a monthly basis. Upon request for monthly electricity meter readings, it was discovered that electricity monthly readings from July 2014 till the end of November 2014 were not submitted for audit .Upon enquiry, it was confirmed that they were not done</p> <p>Furthermore for most of residential areas electricity meters were not read for the greater part of the year and estimates were done for longer than three months which is</p>	OFFICE OF THE MM	<b>THE ACTING MUNICIPAL MANAGER</b>	The finding is accepted by management, there were challenges within the billing system during 2014/15 financial year which resulted in the readings and the bills for the July to November 2014 period, not being done. The catch up reading and billing was done in December 2014.	

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	not in compliance with the credit control policy				
	During the audit of completeness of revenue as disclosed in the financial statement, it was noted that certain new applicants for water connections were included in the billing system, but the amounts due were nil as per their statements. No evidence was submitted for audit to confirm that the debtors were not utilizing the water services. This shows that these applicants were not billed by the municipality	OFFICE OF THE MM	<b>THE ACTING MUNICIPAL MANAGER</b>	The finding is noted and accepted. The municipality has capacity constraints within the revenue section (i.e. shortage of meter readers) and challenges regarding the availability of municipal vehicles, for use by meter readers. The municipality plans to do catch up readings and billings in the near future.	

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	<p>A) During the audit of water losses disclosure, it was noted that the amount disclosed in note 45 of AFS is inaccurately calculated due to the lack of the logic on the calculation: From the table above the following must be noted:</p> <ul style="list-style-type: none"> <li>• The Purchases of water of R58 640 888.94 differ with the purchases of water as per note 29 of the financial statement which reflect R37 830 715, giving a variance of R20 810 173.94.</li> <li>• With respect the same amount of purchases it must be noted that in some cases the amount include electricity and in some cases it does not include electricity purchase for the usage of the scheme. This make the amount of purchases of waste to be inconsistent thereby weakening the reliability of the data used to calculate the water losses.</li> <li>• The water losses amount is illogical or inaccurate given that rand value was deducted from the units.</li> <li>• From the purchases above, it must be noted that this amount exclude the purchases from DWA, thereby questioning the reliability data used to calculate water losses.</li> </ul> <p>B) Furthermore the certain reservoirs and treatment works do not have inlet/outlet meters, that results in an inaccurate estimate of the quantity of water that was included in production. As per discuss with Emmanuel Muanza, Senior Manager Operation and Maintenance, it was noted that the</p>	OFFICE OF THE MM	<b>THE ACTING MUNICIPAL MANAGER</b>	Management notes and agrees with the finding.	



No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	<p>quantities are sometimes estimated based on the meter from the inlet of the treatment works, this is prior to water being treated and recognised as usable water:</p> <p>C) Furthermore it was noted that there are connections from the main pipes which go to the community that are not metered, giving it difficult to estimate the losses.</p> <p>D) The finding above also exclude the fact that uMkhanyakude district using water tanks to distribute water to the community and these water tanks do not have records of the water taken from certain connection or reservoir which would also result in such water go un accounted for or be incorrectly classified as water losses</p>				

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	<p>During the audit it was noted that there were certain suppliers that the municipality procured without following the procurement process and the municipality recorded a deviation on the register. Upon evaluation of the motivation it was noted that the municipality did not comply with regulation 22 and regulation 36 as goods were procured directory from one supplier without advertising at least for shorter period or obtaining at least three quotations.</p> <p>1) It was noted that in all these deviations the municipality had budgeted for them, which means the municipality knew that such services will be required.</p> <p>2) The motivation report submitted by the technical department for some of these deviations states that Umgeni Water Board was approached to assist in January 2016 as the situation was becoming out of hand, it also stated that:</p> <p>a. The quote by Umgeni Water was above the market related price, however there is no evidence that comparisons were done to know the market related price.</p> <p>b. Umgeni Water took three months to respond&gt; this indicates that immediate response was not required by the municipality at that point and that there was a possibility of advertising for a short period.</p> <p>3) The motivation reports further states for example that the cost of refurbishment of Thembaletu Sanitation and upgrades of boreholes in UKDM can only be determined on submission of quotations and completion</p>	OFFICE OF THE MM	<b>THE ACTING MUNICIPAL MANAGER</b>	<p>Management acknowledges the finding. The 12 cases identified have been removed from the deviations register and have been duly disclosed under irregular expenditure, in the revised AFS. The revised total amount of deviations is R4 008 207.82.</p>	

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	<p>of the project</p> <p>a. No quotations were taken so as to ensure that procurement is fair, equitable, transparent, competitive and cost-effective.</p> <p>b. Most motivations indicate that the cost can be determined at the completion of the work, this statement was also found to be contrary to the principle of cost effectiveness and it is possible that high prices are being paid for the above procurement since it is not determined at the inception, the existence of site meeting, site inspection to assist the supplier to determine the cost of work to be done.</p> <p>4) The Department of Cooperative Governance and Traditional Affairs classified the provincial state a disaster in terms of section 32(1) of the Disaster Management Act 57 of 2002 for drought disaster in KwaZulu-Natal province on 11 February 2015, most motivations for boreholes indicate that since the drought was classified as a disaster, this resulted in the urgent need of water.</p> <p>a. It must be noted that these procurements were done in 2016 which is 12 months later and that the municipality knew the water level on the reservoirs.</p> <p>5) For procurement above R10 million the municipality had an option to advertise at least for a shorter period than 30 days e.g. 21 days, 14 days, 7days or by requesting three quotations as the deviations, however, the municipality failed to utilise all these</p>				

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	<p>available options for competitive procurement.</p> <p>6) The municipality had almost 6 months to follow the procurement process in some cases, however, towards year end the municipality resorted to emergency procurement.</p> <p>7) Furthermore, there is no evidence to prove that these suppliers were chosen from the suppliers database before the date of appointment as they appear on the database currently, in that it is not clear as to the process followed to select the suppliers.</p> <p>8) In some cases the deviation form was not attached as per table above.</p> <p>9) It is further concerning that these deviation motivations were not dated when approval was given.</p> <p>10) The timing of the deviation was also a concern as can be seen on the table that these were only done towards the year end.</p>				

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	<p>During the audit of predetermined objectives, it was found that the municipality did not report on quarter 4 performance report on 31 July 2016 in its service delivery and budget implementation plan. The 4th quarter performance report has not yet been provided for audit purposes.</p> <p>As result management will not be able to identify areas of under-performance and non-performance. The performance information of the municipality may also not be reliable.</p>	OFFICE OF THE MM	<b>THE ACTING MUNICIPAL MANAGER</b>	The finding is acknowledged. The report for Q4 is available. In future reports will be concluded timeously.	
	Upon performing walkthrough tests of the systems description of performance indicators in the basic service delivery and infrastructure investment programme, it was noted that there are no approved and documented standard operating procedures that clearly describe the input, processing and output processes.	OFFICE OF THE MM	<b>THE ACTING MUNICIPAL MANAGER</b>	The finding by AG is acknowledged. The SOPs will be developed for 2016/2017 PMS.	
	Per inspection of the annual performance report submitted for auditing, it was established that no explanations had been provided for variances between the targets and outputs	OFFICE OF THE MM	<b>THE ACTING MUNICIPAL MANAGER</b>	The finding by AG is acknowledged. Necessary corrections as per the recommendation will be effected.	
	From an inspection of repairs and maintenance records during walk through tests, it was noted that there were no job cards or technical service reports maintained for the water leak repaired in the vicinity of the Hluhluwe Police Station on 9 February 2016.	OFFICE OF THE MM	<b>THE ACTING MUNICIPAL MANAGER</b>	The finding by AG is acknowledged. The SOPs will be developed for 2016/2017 PMS.	

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	<p>During the audit of Compliance, it was noted that the audit committee did not perform the following functions as required by the regulation</p> <ul style="list-style-type: none"> <li>• The performance audit committee did not meet at least quarterly during the audit year 2015/16 to review quality for performance report from the internal audit.</li> <li>• No evidence that the audit committee submitted the audit report at least twice during financial year to municipal council as required by the regulation.</li> <li>• It was noted that for the last six months of the financial year under audit the audit committee did not meet.</li> </ul>	OFFICE OF THE MM	<b>THE ACTING MUNICIPAL MANAGER</b>	<p>Management agree with the finding. Audit Committee met four times in the current year and will ensure that Audit Performance Audit Committee meets twice a year.</p> <p>Management will ensure that the Audit Committee reports to the Council twice a year.</p>	

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	<p>The lack of regular meeting byt the audit committee affected their function and furthermore it could not be evidenced that the committee advised council on matters relating to:</p> <ul style="list-style-type: none"> <li>• risk management,</li> <li>• accounting policies and effective governance</li> <li>• internal financial control and internal audits;</li> <li>• risk management;</li> <li>• accounting policies;</li> <li>• the adequacy, reliability and accuracy of financial reporting and information;</li> <li>• performance management;</li> <li>• effective governance;</li> <li>• compliance with this Act, the annual Division of Revenue Act and any other applicable</li> <li>• legislation;</li> <li>• performance evaluation; and</li> </ul> <p>any other issues referred to it by the municipality or municipal entity;</p>	OFFICE OF THE MM	<b>THE ACTING MUNICIPAL MANAGER</b>	<p>Management agree with the finding.</p> <p>The Council and the Accounting Officer will ensure that the Audit Committee performs the required functions and advises the Municipality as required by MFMA Section 166(2).</p>	
	During the audit, it was noted that the performance agreement for the Acting Municipal Manager (Mr. Mokhatla.) was not signed by or agreed by the Mayor.	<b>THE OFFICE OF THE MAYOR</b>	<b>The Mayors office</b>	The Performance Agreement for Mr Mzimela was actually signed by the Mayor. The copy is attached.	
	The quarterly report on the status of disciplinary hearings were not submitted to the MEC as required by the regulation	OFFICE OF THE MM	<b>THE ACTING MUNICIPAL MANAGER</b>	<p>The audit finding is noted. The Accounting Officer will ensure adherence to the Disciplinary Regulations for Senior Managers by advising the Council to establish the Disciplinary Committee. A request will then be submitted to SALGA and COGTA for the training of the Committee upon its establishment by December 2016.</p>	

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	Based on the audit work done, it was noted that there are key positions were vacant in the municipality of which some have been vacant for a period of more than 12 months and this impose risk in terms of service delivery, key internal controls and the running of the municipality	OFFICE OF THE MM	<b>THE ACTING MUNICIPAL MANAGER</b>	The audit finding is noted by management. One of the basis for invoking Section 139 (1) (b) of the Constitution was that of a bloated organogram. This then required a rigorous review of the organizational structure which would be followed by the placement process. This then necessitated a halt in the filling of vacancies until management has made sure that the structure is informed by the organizational strategy (IDP). However; the process for the appointment of Senior Managers is in progress and it is projected that by end of February 2017; all senior management positions would be filled. The organogram has been revised and currently being taken to relevant structures for consultation before it is ultimately approved by Council on / or before end of December 2016.	
	Rental agreements for the rental and occupation of park homes were not available or not entered into by the municipality and the employees renting these park homes.  It was noted that certain employees do not have any rental or occupation agreement with the municipality and did not pay any rental to the municipality for use and occupation of the municipal guesthouses:	OFFICE OF THE MM	<b>THE ACTING MUNICIPAL MANAGER</b>	The audit finding is noted by management and rental agreement for employees occupying municipal premises would be prepared, signed and filed accordingly. Management would also recover all monies due to employees that have occupied the municipal guesthouse over the years. Management would further submit a formal item to Council requesting that the guesthouse be utilized by employees and thereafter determine a market related rental fee henceforth.	
	During the compliance audit, it was noted that the performance evaluation panel was established; however there were no performance evaluations carried out for the municipal manager.  The performance evaluation not being carried out on the municipal manager will result in non-compliance with the legislation.	OFFICE OF THE MM	<b>THE ACTING MUNICIPAL MANAGER</b>	The finding by AG is acknowledged. An annual performance evaluation for 2015/2016 will be made by no later than November 2016.	



No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	<p>No formal job descriptions for employees</p> <p>During the understanding of the control environment of the Municipality, it was noted that the municipality does not have formalized job descriptions for their employees. This was further confirmed through discussion with HR Manager and inspection of the expenditure accountant's employee file.</p>	<b>CORPORATE</b>	CORPORATE SERVICES DEPARTMENT	The audit finding is noted. All job descriptions have been developed in line with the reviewed structure. All due processes for the approval of the reviewed structure are underway. Upon completion of the placement exercise; job descriptions will be signed by all employees	
	<p>As per discussion with management confirmed that, a disciplinary board only consist of two members that is a Deputy Senior Manager-Legal services and Labour Specialist.</p> <p>Further confirmed thorough inspection of employee personal files confirmed that both disciplinary board members are employed on full time basis from 01 September 2013 and 01 April 2010 respectively.</p> <p>The appointment of these board members is not in compliance the legislation because members are not employed on part time basis and the appointment of these members has also exceeded a period of three years as required by the legislation.</p>	<b>CORPORATE</b>	<b>Corporate services department</b>	Management agrees with the audit finding. A disciplinary policy will be developed in line with applicable legislation. It will further provide for the appointment of members of the Disciplinary Board.	
	Upon request of the fraud prevention plan/strategy from request 1, dated 30 March 2016 no plan/strategy provided to us. Through our various interactions with management it was noted that municipality has not establish fraud prevention plan/strategy.	<b>CORPORATE</b>	<b>Corporate services department</b>	The audit finding is noted. The Municipality has appointed KPMG to review and develop the Fraud Risk Register and thereafter develop the Fraud Prevention Plan, workshop it to management and Councilors before it is officially adopted by Council by December 2016.	

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	During the audit of performance agreements at the municipality for a sample of employees other than section 56 and section 57 employees, it was noted that no performance agreements were concluded for the 2015/16 period	<b>CORPORATE</b>	<b>Corporate services department</b>	The PMS for now only covers S57 and S56 employees. All other employees are not yet covered under the processes of PMS. Plans though are in place to gradually cascade PMS to lower levels of the municipal organogram.	
	<p>A) During the audit of acting positions it was noted from inspection of the acting appointment letters, termination letter and resignation letter/ exit interview confirmed that Mr. T.M Mabika was appointed as the acting CFO on 13 July 2015 and his contract was terminated on 20 November 2015, and Mr. S Ndakisa was appointed as an acting CFO from 28 October 2015 and he resigned on 1 March 2016.</p> <p>Information provided indicates that both these CFOs have acted for more than 3 months; as such these needed to be approved by the MEC. The requests for extensions of these acting positions were requested on 19 September 2016, these were however not provided for audit purposes.</p> <p>B) As can be noted above between the period of the 28 October 2015 to 20 November 2015 had two CFO's being paid by the municipality. The acting allowance for this period paid to the former auctioning CFO (Mr Mabika), should not have been paid, have a reasonable care be take, this qualify to be fruitless and wasteful expenditure.</p>	<b>CORPORATE</b>	<b>Corporate services department</b>	The audit finding is noted. Management acknowledges the omission of not terminating the acting appointment of Mr. T. M. Mabika. However; management confirms that for the month of November 2015; only one acting CFO was paid and that was Mr. S. Ndakisa. Therefore there was no fruitless and wasteful expenditure incurred. Furthermore, we acknowledge that for the Mr. S Ndakisa no MEC approval is available but to only a council resolution.	

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	<p>The following findings were noted on the audit of casual wages</p> <p>1) There are no personnel files, contract or appointment letters for Casual labourers. Without personnel files and Appointment letters, casual employees are paid amounts each month that cannot be substantiated against any documentary proof with regard to how casual employee wages are calculated.</p> <p>2) During July 2015, (Voucher date: 24/08/2015) - M.S Mnyandu was paid R 5,664.52. however, the time sheets attached were for B.M Mnyandu.</p> <p>3) During September 2015, (Voucher date: 22/10/2015) - T.R Ntshangase was paid R 5,664.52 however, the time sheets were for M.S Ntshangase and were signed by this employee.</p> <p>4) During October 2015, (voucher date: 24/11/2015) - there were timesheets for 13 employees however, 14 employees were paid. The missing timesheet was for Mr. M.J Ngema from the Hlabisa borehole project. He was paid R 5,664.52</p> <p>5) During the month of March 2016, (voucher date: 22/04/2016) - C.Q Dlamini's Timesheets were not included in the voucher but was paid R 5,664.52.</p> <p>6) The actual casual employee wages paid for the year were R928,981.28 and the General ledger (Vote number: 3000/3072/12/1201 -</p>	<b>CORPORATE</b>	<b>Corporate services department</b>	<p>The audit finding is noted by management. The determination of wages for Casual employees is based on the minimum wage as per the salaries and wages collective agreement. However; the recommendation to do a review of time sheets before wages are disbursed would be implemented henceforth.</p>	

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	casual employees/water distribution) balance at year end was R1,051,298.13,thus a difference of R122,316.85 could not be substantiated.				

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	<p>During the audit of employee costs - allowance it was noted that:</p> <p>A) There is no attempt to recover the costs of private calls from employees with a cellphone allowance by issuing a print out of private calls to employees on a monthly basis, thus expenses are overstated by private expenses calls. Amount of misstatement could not be determined.</p> <p>B) Cellphone allowances are paid to certain employees without any submission by H.O.D to MANCO justifying operationally the need for a cellphone allowance, thus irregular expenditure was incurred</p>	<b>CORPORAT E</b>	<b>Corporate services department</b>	The audit finding is noted by management. Management would ensure strict adherence to municipal policies and procedures during the 2016/17 financial.	
	During the audit it was noted that the human resource plan has not been established and implemented, this play a vital role in ensuring that municipality has adequate resources, that they are used effectively to further mandate of the municipality.	<b>CORPORAT E</b>	<b>Corporate services department</b>	Management accepts the finding. HR plan will be developed and finalised together with the revised organogram, by January 2017.	
	It was noted that certain employee's personnel files did not include an employment contract and appointment letter.	<b>CORPORAT E</b>	<b>Corporate services department</b>	The audit finding is noted by management. Before 01 July 2013; the Municipality did not have personnel files because they were damaged by water in the HR office and others were burnt in 2012. Files were opened and appointment letters and contracts developed based on the information that could be accessed from the Payday System. However; they were not signed by the then Accounting Officer could not sign these documents because they were dating as back as 2003. Management would make sure that contract of employment are signed and kept in employee personnel files	

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	During the audit of provisions, it was noted that the leave registers are not properly updated as signatures of the supervisor and relevant head of department (HOD) are missing from the leave application register. It was further noted that leave taken by the employees who are not authorised by management are not captured and updated by the HR Clerk on the Pay Day system, this will result in the misstatement of leave provision.	<b>CORPORATE</b>	<b>Corporate services department</b>	The audit finding is noted by management. Management would make sure that they sign leave registers before employees go on leave. HR would also make sure that leave is reviewed and reconciled on weekly basis.	

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	<p>A) Overtime accrual of R329 699.21 (as per payroll report for July 2016) should be recognised in the annual financial statements for the year ended 30 June 2016, as employees are paid the overtime due to them in the month after they have worked e.g. overtime worked in June is paid in July. This accrual was not recognised.</p> <p>B) In accordance with Section 1.2 (overtime policy), the following was noted:</p> <p>The overtime expense reflected as per the payroll for the month of May 2016, was overstated by R29 215.54 (please refer to table B1 below for calculations), this overstatement was due to an incorrect allocation of shift allowance as overtime in the payroll calculations.</p> <p>C) In accordance with Section 1.4 (benefits and allowance policy), the following was noted:</p> <p>1. There was no supporting documentation stating the basis of how shift allowance is calculated.</p> <p>2. The following employees received a shift allowance and a night allowance, whereas the HR policy clearly states that employees which are entitled to a night allowance are not entitled to a shift allowance in addition thereto.</p>	<b>CORPORATE</b>	<b>Corporate services department</b>	The audit finding is noted by management. Strict controls would be implemented on overtime and shift allowances. Overtime and shift allowance claims would be reviewed by Manager: HR to ensure adherence to the Overtime Policy before they are submitted to Finance for payment.	

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	<p>Although there was a formally drafted IT Strategic Plan in place, it was noted that the IT Strategic Plan was not approved and implemented. This may result in the objectives of the IT section not being aligned with the overall municipality's objectives. In addition, key IT decisions and approvals may not be taken in a timely manner which may result in delays in projects and tasks undertaken by the IT section.</p> <p>The risk has materialised as the objectives of IT functions have not been met due to the vacant posts not being filled and lack of a process to prioritise prior year findings.</p>	<b>CORPORATE</b>	<b>Corporate services department</b>	<p>We are in agreement with the above finding and internal control deficiency.</p> <p>Currently we are revising and presenting a new organogram to council to address the vacant position The organogram should be finalised by February 2016, provided it is adopted by council. The IT Strategic Plan will be tabled to be approved by December 2016. The implementation of the plan, will proceed thereafter.</p>	
	<p>The Information Technology (IT) function at the uMkhanyakude District Municipality was not fully capacitated as the following posts that formed part of the approved municipality structure was vacant at year end:</p> <ol style="list-style-type: none"> <li>1. Senior IT Security Officer</li> <li>2. Senior Project Management Officer</li> <li>3. System Administrator</li> <li>4. IT Officer: Web Development</li> <li>5. IT Technician</li> </ol>	<b>CORPORATE</b>	<b>Corporate services department</b>	<p>We are in agreement with the above finding and internal control deficiency.</p> <p>Currently we are revising and presenting a new organogram to council to address the vacant posts. The organogram should be finalised by February 2016, provided it is adopted by council. The budget issues across IT as a whole will be discussed as the current year budget was not sufficient to meet IT needs.</p>	



No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	There were no performance reports provided to management by the Payday service provider.	<b>CORPORAT E</b>	<b>Corporate services department</b>	We are in agreement with the above finding and internal control deficiency. Subsequent to year end Payday has been paid for the amount outstanding. Negotiations are scheduled to revise the Service Level Agreement (SLA) and the monthly fee in order to resume performance reports. The budget issues across IT as a whole will be discussed as the current year budget was not sufficient to meet IT needs.	
	There was no formal evidence of review in place which indicated that Firewall Security Reports were regularly reviewed.	<b>CORPORAT E</b>	<b>Corporate services department</b>	We are in agreement with the above finding and internal control deficiency. There is currently no SLA between the Firewall developer and the Municipality. As soon as an SLA is established, we will be able to request for added design to the application. In the interim we will at the alternative method to review the Firewall reports and to keep evidence electronically.	
	The Firewall Administrator had not received any formal training with respect to maintenance and management of the Firewall Application.	<b>CORPORAT E</b>	<b>Corporate services department</b>	We are in agreement with the above finding and internal control deficiency. Requests for budget for training will be put through by December 2016. The budget issues across IT as a whole will be discussed as the current year budget was not sufficient to meet IT needs.	
	Although a Firewall process is included in the Security Policy, there was no additional process to govern change control, security and back-ups over the Firewall Application System. It was also noted that the Firewall was not included in the Disaster Recovery Plan (DRP) and the Firewall settings were not redundant.	<b>CORPORAT E</b>	<b>Corporate services department</b>	We are in agreement with the above audit finding and internal control deficiency. The Security Policy and the DRP will be updated over the next 2 months. The Firewall settings will be researched and updated to include redundancy settings.	

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	<p>Audit trails had not been enabled on the Windows Active Directory, which is required in order to review and identify:</p> <ul style="list-style-type: none"> <li>• Failed user logon attempts</li> <li>• User account changes or deletions</li> <li>• Object access denied logs</li> <li>• Invalid requests</li> </ul>	<b>CORPORATE</b>	<b>Corporate services department</b>	We are in agreement with the above finding and internal control deficiency. We are aware of the need to conduct reviews and the Audit trail function will be enabled to allow for access and logon violation review to be performed.	
	Network security patch management and antivirus exception reports had not been reviewed to ensure that security patches have been successfully deployed to all computers and antivirus threats timeously identified and resolved.	<b>CORPORATE</b>	<b>Corporate services department</b>	<p>We are in agreement with the above finding and internal control deficiency.</p> <p>Finding noted. Subsequent to year end, the IT Manager has reviewed the patch and anti-virus reports, and will continue to review them on a periodic basis.</p>	
	Administrator activities were not reviewed on the Network (Windows Active Directory), Payday and Pastel Applications due to limited system functionality.	<b>CORPORATE</b>	<b>Corporate services department</b>	<p>We are in agreement with the above finding and internal control deficiency.</p> <p>The system functionality will be addressed with the service providers in order to look at enabling the system logs in order to conduct administrator reviews.</p>	
	A Disaster Recovery Plan (DRP) was in place, however it had not been tested by the Municipality to assess its effectiveness in recovering critical IT resources in the event of a disaster.	<b>CORPORATE</b>	<b>Corporate services department</b>	<p>We are in agreement with the above finding and internal control deficiency.</p> <p>Management is now aware of the method required to test the DRP and will schedule the test within the IT Strategic Plan and will be executed within the next 6 months.</p>	

No	Audit finding	Department	HOD	ORIGINAL MANAGEMENT COMMENT ON THE MATTER	How is this to be prevented in future
	There had been no restoration tests of the backups to ensure that the backup function is operating effectively.	<b>CORPORAT E</b>	<b>Corporate services department</b>	We are in agreement with the above finding and internal control deficiency. Subsequent to year end backup restoration testing was done and is going to be done on a periodic basis as management recognize the need to have backups functioning.	
	Management did not establish a maintenance schedule for the server room. If environmental maintenance is not scheduled and not monitored, the risk of malfunction or operational instability is increased as IT equipment may not be operating according to the manufacturer's specifications. This will impact on the continued business of the municipality The risk has not materialised as the equipment and fire extinguishers have been serviced and are functioning optimally.	<b>CORPORAT E</b>	<b>Corporate services department</b>	We are in agreement with the above finding and internal control deficiency. A maintenance schedule is currently being implemented and will be used for all server room maintenance going forward.	
	We could not obtain system generated logs of changes made to the Payday and Pastel applications due to system limitation and hence the completeness of changes could not be determined. Without the generation of Application System Logs, critical updates may not be identified and confirmed as installed correctly or timeously on the Network. This may compromise the integrity, availability and confidentiality of the system's data and possibly lead to financial data not being up to date with the latest information such as tax codes, and formulas for payroll.	<b>CORPORAT E</b>	<b>Corporate services department</b>	We are in agreement with the above finding and internal control deficiency. The Municipality with engage with the relevant service providers in order to get the functionality	

# **ANNEXURE D**

**RECOVERY PLAN FOR 2016/2017 FY**

# UMKHANYAKUDE DISTRICT MUNICIPALITY

## REVIEWED RECOVERY PLAN

April, 2016

Section 139 (1) (b) of the Constitution

REF	CHALLENGE	REMEDIAL ACTION	OUTPUT	START DATE	FINISH DATE	RESP.	EXT. RESOURCE	PRIORITY WEIGHTING			
								HIGH	MED	LOW	ACHVD

### 1. BASIC SERVICE & INFRASTRUCTURE

1.1	There is no O & M Plan for Water and Sanitation	Preparation and Implementation of O & M Plan for Water for 2015/16	O & M Plan for Water Service	Nov. 2015	Apr. 2016	Reg. Mgrs, HOD: Technical, CFO Administrator	CoGTA Infrastructure Unit and DWS deployees	Achieved. Resources to implement required.			
1.2		Preparation and Implementation of O & M Plan for sanitation: 2015/16	O & M Plan for Sanitation: 2015/16	Nov. 2015	Apr. 2016	Reg. Mgrs, HOD: Technical, CFO, Administrator	CoGTA Infrastructure Unit and DWS deployees	Achieved. Resources to implement required.			
1.3	A high level assessment of the Water & Sanitation Services, revealed that the said services had virtually collapsed in Umkhanyakude due to the lack of the System & Skills for the delivery of the said services on one hand and the Cash Flow	The Provincial Cabinet (KZN) set aside R50 million to rescue the service delivery; and appointed Umngeni Water as an Intervention Implementing Agent on an "assess and fix basis" to deal with short-medium O & M challenges	Repair & Refurbishment Plan which is reviewed and adjusted on an on-going basis	Nov. 2015	March 2016	UW / Administrator / MM	CoGTA/PT	R33 million was transferred to UW. There is over-expenditure of over R2 million. A verification process revealed that not all intended O&M activities were completed but there additional new work done			
1.4		Solicit funds for UW to complete the	Approval for the completion of rehabilitation of	01.03. 2016	30.05. 2016	AMM, AGM: Tech, Administrator	CoGTA Infrastructure Unit and DWS	Some of identified collapsed infrastructure is still not rehabilitated.			

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1.5	Crisis that the municipality is faced with.	rehabilitation of collapsed infrastructure and future O&M thereof.	collapsed infrastructure					Communities' expectations need to be met			
			Ring-fenced O&M funds identified from the capex undertaken by UW and re-appropriation of such to incurred and future O&M costs	01.03. 2016	30.05. 2016	AMM, AGM: Tech, Administrator	CoGTA Infrastructure Unit and DWS	All capex by UW has to be re-allocated to MIG to release such to Bulk and Reticulation debt and current commitments			
1.6	80% of Water Schemes in a state of disrepair of one kind to another	Preparation and of short-medium term Intervention Plan to assess and repair the existing Water Schemes	Intervention Plan co-signed off by UW and UKDM	Nov. 2015	Nov. 2015	Same as above	UW	There is a plan subject to on-going updates. The output was achieved.			
1.7		Taking over and running of schemes repaired and commissioned by UW	Sustainable repaired and new schemes	Mar 2016	Apr 2016	Reg. Mgrs, HOD: Technical, CFO, Administrator	CoGTA Infrastructure Unit and DWS deployees	This is depended on 1.4 above being achieved.			
1.8	Infrastructure (Reticulation and Bulk) not repaired timeously due to non-payment of services	Create and ring-fence Budget for the fittings and spares, repairs, licensing and fuelling of vehicles, as well as costs for repairs to	Budget for the fittings and spares, repairs, licensing and fuelling of vehicles, as well as	01.03. 2016	31.03. 2016	AMM, MANco and Administrator	PT and Cogta	Achieved. A revised Cash Flow Plan catering for Service delivery costs and critical payments only was compiled			

# UMKHANYAKUDE DISTRICT MUNICIPALITY

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	providers lack of budget	bulk infrastructure and purchases of chemicals	costs for repairs to bulk infrastructure and purchases of chemicals								
1.9		Procurement of spares parts for stores for immediate response for repairs	Designated spares	Nov. 2015	On-going	Reg. Mgrs, HOD: Technical	UW CoGTA Infrastructure Unit and DWS deployees	This can be implemented once 1.1 to 1.4 is attained. SCM should be managed.			
1.10		Repair, licensing and continuous fuelling of vehicles.	Running road-worthy vehicles	April 2016	May 2016	Reg. Mgrs, HOD: Technical, Corp Services, and SCM Mgr	Administrator				
1.11	60% of Sewer Systems are dysfunctional-sewer infrastructure	Preparation of short-medium term Intervention Plan to assess and repair Sewer Systems	Assessment Report to identify areas of immediate intervention	Nov. 2015	On-going	HOD: Technical	UW	There is Assessment report. Areas were identified and a new project is registered with MIG			
1.12		Establish Sewer Management Special Teams for regular opening & unblocking of Sewer pipes: buy necessary tools & equipment's for the operations		Dec. 2015	Mar 2016	Reg. Mgrs, HOD: Technical	CoGTA Infrastructure Unit and DWS deployees	1. A decision to strengthen internal teams and provision of tools of trade was taken. 2. UW provided tools for the Mtubatuba			

# UMKHANYAKUDE DISTRICT MUNICIPALITY

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											team.
1.13	Slow Implementation of MIG projects	Close monitoring of current (2015/16) projects: Hlabisa/Mandlakazi WS Hluhluwe WS Phase 1 Ingwavuma Sanitation (VIP) Jozini CWSS Manguzi Star of the Sea Mkhuze WT Upgrade Mpukunyoni Water Mtubatuba Sanitation Shemula Water Phase 1 & 2 Themba lethu sanitation	Weekly progress reports	Nov. 2015	June 2016	PMU Mgr HOD Technical	CoGTA Infrastructure Unit and DWS deployees				Projects being implemented. With additional resources from DWA, Treasury and Cogta
1.14		Fast-track the appointment of Implementing Agents for delayed projects: Manguzi star of the Sea (construction) KwaJobe Water WCWD Projects Ngwavuma Boreholes	Appointed Implementing Agents	Feb. 2015	March 2016	Reg. Mgrs, HOD: Technical, CFO, AMM Administrator					UW does not show any appetite in the said projects. Projects scopes/Bills of Quantity submitted for their costing has not been returned to the Municipality. Ilembe District and Umhlathuze



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		Refurb Sewer: Jozini & Mtuba									Municipality has been approach for a possible usage of Sec 32 appointments.
1.15	Water Resource in accelerating diminishing state due to Drought; thus constraining Water Schemes	Exploration of scheduled Alternating Supplies (load-shedding) between reticulations destinations	Alternating Supply destinations Schedule	Oct. 2015	On-going	Reg. Mgrs HOD: Technical					Currently being implemented at Hluhluwe & Mtuba, KwaMsani, St. Lucia, and Jozini areas. This is an interim measure, a mid-term/ permanent solution has to be found
1.16		Exploration of the ground water / wells options to supplement existing water Sources	Continuous supply of water	Nov. 2015	Feb. 2016	HOD: Technical	Specialist SP				Service Provider appointed in November 2015 DWS. Progress was delayed by contractual disputes which have since been resolved. Some of the affected boreholes were equipped by UW in the meantime.
1.17	The municipality cannot bill water consumers because	Appoint service provider for Water Conservation and demand management	Installed Water meters	Dec 2015	June 2016	HOD Technical/CFO /Administrato	(possible UW as a service provider)				UW did not show full commitment on the said projects. UW was only

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	consumer's business/household are not metered. Thus losing revenue to sustain the water service; losing water through wastage because water consumption is not metered. Failure to address water meters is failure to conserve water & failure to build revenue base for the sustainability of service delivery.	projects				r		interested in installing bulk meters which will not solve the original challenge. Sec 32 Appointment has been made. Need to focus on monitoring implementation, and manage perceptions			
1.18	The service provider for the Bulk services operates on an expired contract	Procure the services of the Service Provider for Bulk Infrastructure O&M	Updated Contracts	01.04. 2016	30.06. 2016	AMM, AGM: Tech Ser, Bid Coms	DWS, Cogta	Advertise for service provider. Formalise current Month to Month arrangement			
1.19	Poorest performer in terms of "green drop" assessment by DWS	Insert performance clause in the MOU signed with the Bulk Infrastructure O&M service provider	Performance-based contract	01.07. 2016	31.08 2016	AMM, AGM: Tech Ser, Mgr:WSA	DWS, Cogta	Advertise for the long-term arrangement			
1.20	The is not electrical and mechanical repair	Provide for the electrical and mechanical	Electrical and mechanical repairs	01.05. 2016	30.05. 2016	AMM, AGM: Tech Ser	Cogta				

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	function within the Municipality	resource(s) on the organogram/ contract out the service	unit or service provider for the same								
	SUB-TOTAL										20
<b>2. FINANCIAL VIABILITY &amp; MANAGEMENT</b>											
<b>BUDGET &amp; REPORTING</b>											
2.1	2015/16 Budget unfunded as per Provincial Treasury assessment: projected Revenue exceeds projected Expenditure for the year. The situation is exacerbated by the Management Actions to spend Operating Revenue of 2015/16 on payment of creditors of 2014/15 thus worsening the deficit	Review/revise 2015/16 budget to reduce expenditure to the bare minimum; eliminating all non-core, where possible	2015/16 Adjustments Budget with a reduced deficit	Sep. 2015	Nov. 2015	CFO	PT/Administrator	Budget adjusted. Two sessions with PT PT has issued its assessment Go ahead with adjusted budget Council approved adjusted budget on 3/12/2015 Adjustment budget approved on the 26/02/2016.			
2.2		Prepare Cash Flow & Payment Plan for 2015/16 to guide payment negotiations with creditors of the previous year	Cash-Flow and Payment Plan	Nov. 2015	Dec. 2015	CFO	PT/Administrator	Cash Flow Plan completed is updated monthly			
2.3		Monthly Reviews of the Cash Flow & Payment Plan to identify/analyse reasons for variances as part of section 71 report	Monthly Reviews of Cash Flow Plan to update projections.	Nov. 2015	On-going	CFO	PT/Administrator	On-going			

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2.4		Weekly Cash Flow Reviews for requisitions and payment approvals by the IFC as well as the weekly Mayor's briefs	Weekly Reviews of Cash Flow Plan to update projections	01.04. 2016	On-going	AMM, CFO and Manco	Cogta, PT and Administra tor				
2.5		Negotiate a Payment Plan with creditors of 2014/15 in order to avert litigations	Negotiated Payment Plan	Dec. 2015	Jan. 2016	ACFO, AMM	Administra tor				Payment Plan developed
2.6	No 2016/17 IDP Framework and 2016/17 Budget Process Plan	Prepare 2016/17 IDP Framework/Process Plan	2016/17IDP Framework/Process Plan	Dec. 2015	Dec. 2015	HOD: Planning					Plan Completed and is on track
2.7		Prepare 2016/17 Budget Process Plan	2016/17 Budget Process Plan	Dec. 2015	On-going	CFO	CoGTA/PT				Plan Completed and is on track
2.8		Ensure approval of 2016/17 IDP and Budget	Approved 2016/17 Budget	01.03. 2016	30.05. 2016	AMM, CFO	CoGTA/PT				
2.9	Poor reporting of the performance of the Institution; thus affecting negatively the Council Oversight function on the EXCO and Administration	Assist with the preparation of 2014/15 AFS	2014/15 AFS	August 2015	August 2015	CFO/MM	CoGTA/PT				Done
		Ensure preparation of 2015/16 Annual Financial Statement and timeous submission thereof	2015/16 Annual Financial Statement	01.07. 2016	31.08. 2016	ACFO, AMM	Administra tor				
2.10		Section 71 monthly report to Mayor & Treasury	Section 71 Report	On-going	On-going	CFO	PT				On-going
2.11		Section 40:MSA & 52:MFMA Quarterly Performance Report to Mayor/Council	Quarterly Performance Report to Council	On-going	On-going	CFO/MM	PT				Quarterly S71, Performance report, Quarterly SCM report and S72 submitted to Council.
2.12		Section 72 Mid-year Budget &	Section 72 Mid-Year	Dec.	25 Jan.	CFO/MM	PT				Completed and submitted to

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		Performance Assessment Report to Mayor/Council	Report	2015	2016						Council.
<b>FINANCIAL CONTROL FRAMEWORKS &amp; SOPs MANUALS</b>											
2.13	The AG and Internal Auditors have identified significant design and operating deficiencies and weaknesses across the core financial processes: <ul style="list-style-type: none"> <li>Revenue to cash</li> <li>Grant Income</li> <li>Expenditure Control</li> <li>Procure to pay</li> <li>Payroll</li> <li>Fixed Assets</li> <li>Financial statement close process</li> <li>IT general controls</li> </ul>	Review, prepare and implement Control Frameworks, incorporating key critical controls including IT dependent controls for the said core financial and operational processes	Revenue to cash financial control framework	Jan 2016	June 2016	CFO	PT	Process Flows developed for some sections.  Provincial Treasury is providing assistance			
2.14			Grant Income Financial Control Framework			CFO	PT/CoGTA	Same as above			
2.15		Development and implementation of Process and Control Manuals (PCMs) detailing key Activities and Procedures for each of the said core Financial Processes	Expenditure Financial Control Framework			CFO	PT/CoGTA	Same as above			
2.16			Procure to Pay Financial Control Framework			CFO	PT/CoGTA	Same as above			
2.17		Roll-out Training on the Financial Control Frameworks & Process and Control Manuals	Payroll Financial Control Framework			CFO	PT/CoGTA	Same as above			
2.18			Fixed Assets Financial Control Framework			CFO	PT/CoGTA	Same as above			
2.19			Financial Statement Close Process Financial Control Framework			CFO	PT/CoGTA	Same as above			
2.20			IT General Controls Financial Control Framework			CFO/HOD: Corporate	PT/CoGTA	Same as above			

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								HIGH	MED	LOW	ACHVD
2.21	The unfavourable Audit Outcomes over the years are attributable to the said systemic deficiencies		SCM Framework/Policy	Aug. 2015	Dec. 2015	CFO	PT/CoGTA	Completed awaiting Council workshop			
2.22			Revenue to Cash Process and Control Manual			CFO	PT/CoGTA	See 2.11 above			
2.23			Grant Income Process and Control Manual			CFO	PT/CoGTA	Same as above			
2.24			Expenditure Process and Control Manual			CFO	PT/CoGTA	Same as above			
2.25			Procure to pay Process and Control Manual			CFO	PT/CoGTA	Same as above			
2.26			Payroll Process and Control Manual			CFO	PT/CoGTA	Same as above			
2.27			Fixed Assets Process and Control Manual			CFO	PT/CoGTA	Same as above			
2.28			Financial Statement Close Process and Control Manual			CFO	PT/CoGTA	Same as above			
2.29			IT General Controls Process and Control Manual			CFO/HOD: Corporate	PT/CoGTA	Same as above			
2.30			SCM User Process and Control Manual	Aug. 2015	Dec. 2015	CFO	PT	Manual completed			
2.31		Roll-out Training on the Financial Control Frameworks & Process and Control Manuals	Formal Workshops for management & staff members			CFO	PT/CoGTA				
2.32			On-the-Job Training				PT/CoGTA	Ongoing			

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REVENUE MANAGEMENT											
2.33	Inadequate and inaccurate bills to consumers	Install metres at the affluent areas and perform regular meter readings.	Monthly bills sent to ALL consumers in affluent areas, within the 5 <sup>th</sup> working day of the following month.	Feb 2016	Ongoing	CFO			Approved for MIG funding  Project has started		
2.34	Poor revenue collection	Develop or review revenue enhancement / Collection strategy to ensure financial viability and collection of money due to the municipality	Improved Cash Inflows	Feb 2015	Ongoing	CFO	PT		This can be done after the completion of data cleansing		
2.35		Engagement with Public Works on payment of government debt.	Reduction of government debt	Jan 2016	Feb. 2016				Report has been submitted to Public Works for all outstanding government debt.  PT is has also assisted a resource.		
2.36		Increase capacity in the Debt Collection Unit through additional human resources and budget for telephone cost	Fully-fledged Revenue collection and consumer services Unit provided for in the organogram with budget and staffing thereof	01.05. 2016	30.06. 2016	AMM, ACFO	Administra tor, PT and Cogta Resource		Organogram is bening reviewed		

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2.37	Inaccurate consumers' database.	Perform a detailed data cleansing of the consumer database.	Credible debtors information	Jan 2016	March 2016	CFO	CoGTA	CoGTA will be funding data cleansing project				
2.38			Risk profiling report of normal consumer debtors.	March 2016	March 2016	CFO		This will be part of the data cleansing project				
2.39			Indigent Register; with two chapters: individual dwellings & community stand taps	March 2016	March 2016	CFO		This will be part of the data cleansing project.  Requested Indigent Registers from local municipalities.				
2.40		Implement the outcome of the data cleansing exercise e.g. billing VS indigent register										
EXPENDITURE MANAGEMENT												
2.41	Cash flow deficit R81m, grants not cash backed and long outstanding creditors	Place moratorium of all non-core activities	Controlled Cash Out Flows	Oct 2015	Ongoing	CFO	PT	Done				
2.42		Establishment of Budget and Expenditure Control Committee to manage the balance between this year programmes and payment of the previous years		Nov 2015	Ongoing	CFO	PT	Committee established; began grading and prioritising creditors for payment purposes Budget and Expenditure Control Committee was replaced by				



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								HIGH	MED	LOW	ACHVD
								Interim Finance Committee on 3/12/2015			
SCM AND CONTRACTS MANAGEMENT											
2.43	There is no procurement plan which impacts negatively on service delivery and unspent conditional grants.	Develop and implement procurement plan	Procurement Plan	Nov 2015	Dec 2015	CFO	PT	PT has prepared a template for the purpose; workshop to be held with all officials. Procurement Plan for all outstanding projects has been prepared. Once the draft budget is approved will start with the 2016/17 plan.			
2.44	Expired contracts still “active”; non-performing service providers; contracts not adding value and creditors with no proof of service or delivery	Due diligence to determine the credibility/authenticity of creditors invoice (cost benefit analysis).	Due diligence report	Jan 2016	March 2016	CFO/MM	PT	PT submitted close out report at the end of February. Action plan has been developed to address findings on the report			
2.45		Develop a performance management tool for contracts	Performance Tool	Jan 2016	Feb 2016	CFO/HOD Technical	PT	Still Outstanding			
2.46	Ineffective SCM function/ office and non-functionality of structures	Review Database of Suppliers	Reviewed and up-to-date/living Database of Suppliers	01.05. 2016	30.06. 2016	CFO/HOD Technical	PT, Administrator				
2.47		Review functionaries of SCM Office	Reviewed functionaries of SCM	01.04. 2016	30.04. 2016	AMM	Administrator				

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			Office								
2.48		Review the composition of Bid Committees	Reviewed Bid Committees	01.04. 2016	30.04. 2016	AMM	Administr ator				
<b>GRANTS MANAGEMENT</b>											
2.49	Poor management of grants resulting in service delivery lapses and non-compliance DoRA& MFMA	Grants management register to be reviewed and updated on an ongoing basis.	Credible Grant Register	October 2015	Ongoing	CFO	PT	Grants Register under review for credibility			
2.50		Open a separate bank account for Grants pending expenditure of same	Bank account	Dec. 2015	Dec. 2015	CFO/MM/ ADMINIST RATOR	PT	Done			
	<b>SUB-TOTAL</b>		50								
<b>3 GOOD GOVERNANCE &amp; PUBLIC PARTICIPATION</b>											
3.1	Lack of credible risk register.	Conduct organization wide risk assessment.	Risk register	Jan 2016	Feb 2016	MM and Administra tor	PT.	There is a Risk Register which was facilitated by the PT last year. Need for a review to take AG & IA findings into account			
3.2	There is no Fraud Prevention Plan	Prepare /compile Fraud Prevention Plan for approval by Council	Fraud Prevention Plan	Feb. 2016	April 2016	MM/Admi nistrator	CoGTA	Still Outstanding			
3.3	The 2014/15 Auditor General audit opinion is a disclaimer.	Develop a robust audit action plan to address all the findings.	Audit action plan	Dec 2015	Jan 2016	MM/ Administra tor	PT.	Completed, will be tabled to Council with AG report.			

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3.4	AG Queries were not responded to within 2 days (norm); in some instances, AG Queries were not responded to at all (until meeting of the draft Report: 20/11/2015). MM, ACFO, Senior Officials were on leave during Audit	Report the matter to the Council	Report	Jan. 2016	Jan. 2016	Administra tor					Report tabled to Council
3.5	Lack of investigations and consequence management for UIFW expenditure.	Institute section 32 process.	Report on UIFW expenditure to council to initiate investigations.	Jan 2016	Feb. 2016	MM/ Administra tor	PT.				
3.6	No system of monitoring and addressing public complains on service delivery.	Establishment of a customer care system to address service delivery lapses ( toll free facility, faults report centre)	Customer care centre system	Jan 2016	Feb 2016	MM/ Administra tor	CoGTA.				The Rapid Response Team was established on 15.03.2016
3.7	Lack of public participation plan.	Development of public participation plan, in consultation with the local municipalities.	Public participation plan.	Dec 2015	Dec 2015	MM	CoGTA.				It was discovered that there was an unfinished project for a report would dictate the how the monitoring system will be devised.
3.8	Dysfunctional council	Introduction of a financial	Amended standing	Jan	Feb	MM/Admi	CoGTA				The standing Rules will be

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	committees.	penalty for non-attendance by committee members	rules and orders of Council.	2016	2016	nistrator		reviewed, workshop to Council for implementation Strict Schedule of meetings will be developed taking into consideration the schedule of meetings for the locals in order to cater for 60% component of Council			
3.9	There are no Bylaws/Policy for the regulation of Water & Sanitation Services	Development of a Bylaw/Policy for Water & Sanitation Services	Approved Policy/ Gazetted Bylaw	Feb. 2016	June 2016	HOD: Tech. MM/Admi nistrator	DWS/CoG TA	Identification of all bylaws existing in different departments, alignment to powers and functions, review/develop, workshop and implementation.			
3.10	There are forensic investigations which have been commissioned by the PT whose outcomes	Request to the PT for an either Interim report on progress or Outcomes of investigation	Letter to PT	Nov. 2015	Nov. 2015	Administra tor	PT	The PT has confirmed that the report cannot be released at this stage. No indication of when same shall be released			
3.11	have not been reported to Council nor made public	Table all recent forensic reports to relevant Council and/or its relevant structures	Tabled Reports	01.05. 2016	31.05.2 016	AMM, SM: Legal	PT, Administr ator				
3.12		Implement the recommendations of all recent forensic reports	Civil and Criminal cases opened and Recoveries	01.05. 2016	On-going	AMM, SM: Legal	Administr ator, Law-enforcem				

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								HIGH	MED	LOW	ACHVD
			instituted				ent and Prosecuti on agencies				
3.13	Litigations	Progress/ Close out Reports	Progress/ Close Out Report	On-going	On-going	Administra tor					Meeting had with Cogta legal rep, internal rep reported summons to the tune of R42m. Further information require from stakeholders
	Sub-Total	13									
<b>4 LED &amp; PLANNING</b>											
4.1	2016/17 IDP Process not on track	Organise Strategic Planning Session for EXCO & Top Management	Strategic Plan : Go\$als& Priorities	Dec. 2015	Dec. 2015	MM/Admi nistrator	CoGTA				Achieved because the Strategic Planning Session Took place on 14/12-15/12 2015.  However the Session with Councillors which was planned for the 4 & 5 February 2016 had to be rescheduled due to other commitments
4.2		Fast-track 2016/17 IDP Processes	2016/17 IDP	Dec. 2015	May 2016	HOD: Plan./MM	CoGTA				The IDP/Budget Review process is in progress and

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								in accordance with Framework Plan and the targeted date for adoption of Draft Reviews is 30 March 2016 and Final Draft at 30 April 2016 to accommodate the LG Elections processes			
4.3	LED Strategy not being implemented	Review LED Strategy to establish sources of logjams in implementing it	LED Strategy Review Report	Feb. 2016	June 2016		DEDT	Due to lack of Funding this target will not be achieved within the set timeframes and it is recommended that the target be referred to the new financial year 2016/2017 FY			
4.4	There is no evidence of a business case for Umhlosinga Development Agent; does a duplication of programmes between the Municipality and Agent	Review the business need/case for Umhlosinga to determine value-add for the Agent	Business case Review Report	Jan. 2016	Feb. 2016	HOD: Plan/CFO	Administrator	Most of the planned Outputs have been achieved and Others are ongoing..			
4.5	Slow Implementation	Monitor closely the	Completed Mseleni	On-	30. 06.	HOD:	Administr				

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								HIGH	MED	LOW	ACHVD
	of Mseleni Ground Nut project	implementation of Mseleni Ground Nut project	Ground Nut project	going	2016	Plan/CFO	ator, Cogta				
	Sub total	5									
<b>5. MUNICIPAL TRANSFORMATION &amp; INSTITUTIONAL DEVELOPMENT</b>											
5.1	Staff Structure loop-sided and over-bloated in non-core functions areas	Organogram Review	New Reviewed Organogram	Dec. 2015	March 2016	MM/Adm inistrator	CoGTA	Desktop analysis of Organogram completed Initial fact-finding session held with management. The very first draft draft circulated for management comments			
5.2		Compilation of Job Descriptions	Completed & signed JDs	Oct. 2015	Jan. 2016	HOD: Corporate/MM	SALGA	80% drafts completed. SALGA is assisting with remaining job descriptions			
5.3		Submission of JDs to the SALGBC for evaluation and TASK grading	Evidence of submission to SALGBC	Jan. 2016	Jan. 2016	HOD: Corporate	SALGA	Evaluation will be done by the Regional JEU at Uthungulu. The Municipality is in the process of signing the Memorandum of Understanding with the JEU. An amount of R 30 000.00 will have to be paid for the JEU to evaluate job descriptions.			
5.4	Performance	Review OPMS Framework, if	Reviewed OPMS	Jan	March	MM	CoGTA	Informal Assessment of the			

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	Management System is non-functional. The AG has placed a Disclaimer (2013, 2014 & 2015) on Performance information. There is no evidence of monthly/quarterly reports from management to EXCO. No evidence of the Performance evaluation of the MM by the Mayor	any, and OPMS Scorecard to make it SMART; create a reporting template and workshop EXCO Councillors and Management on PMS	Framework	2016	2016			Mid-Term Performance Report (Quarter 1 & 2) was indeed conducted in January 2016 and Quarter 3 will be conducted in April 2016 and Q4 in July 2016			
5.5			OPMS Template	Jan. 2016	Jan. 2016	MM	CoGTA	Achieved			
5.6			SDBIP Template	Jan. 2016	Jan. 2016	MM	CoGTA	In progress Not due yet			
5.7			Reporting Template	Jan. 2016	Jan. 2016	MM	CoGTA	Not due yet			
5.8			Workshop: EXCO & Management	Feb. 2015	Feb. 2015	MM	CoGTA	Informal Assessment of the Mid-Term Performance Report (Quarter 1 & 2) was indeed conducted in January 2016 and Quarter 3 will be conducted in April 2016 and Q4 in July 2016			
5.9		Ensure the Review OPMS Framework, and OPMS Scorecard to make it SMART; create a reporting template and workshop EXCO Councillors and Management on PMS	Reviewed OPMS Framework	01.04. 2016	30.06. 2016	AMM, AGM:PED, Mgr: IDP & PMS	Adminis trator, Cogta				
5.10			OPMS and SDBIP Template	01.04. 2016	30.06. 2016	AMM, AGM:PED, Mgr: IDP	Adminis trator, Cogta				



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5.11		2016./2017 Financial Year	Workshop: EXCO & Management on the immediate two above	01.04. 2016	30.06. 2016	AMM, AGM:PED , Mgr: IDP & PMS	Adminis trator, Cogta				
5.12	Corporate Registry of the Municipality is non-functional. There is no central control point of the document/information management and correspondence; thus the Municipality is losing its valuable asset and risk undefended litigation.	Provincial Archives-led assessment of the state of the document management in the Municipality	Assessment Report on document management status	Jan. 2016	Feb. 2016	HOD: Corporat e	PA/CoG TA	An assessment was done by Provincial Archives on the 04 <sup>th</sup> of March 2016 and the report has been submitted to the Municipality. Provincial Archives will present a report to Management Committee on 23 March 2016 which will be combined with the management workshop on records management			
5.13	Year-in and year-out the Municipality fail to provide the AG with the requisite supporting documents for audit purposes (tender documents,	Review UKDM Policy, Procedure Manual, File Plan and Case Files references to ensure currency and relevance of the documents	Policy & Procedure Manual	Feb. 2016	April 2016	HOD: Corporat e	PA/CoG TA	The Records Management Policy and Registry Procedure Manual were adopted by Council in October 2013 submitted to Provincial Archives for approval.			
5.14			File Plan (main series) and Case	Feb. 2016	April 2016	HOD: Corporat	PA	The File Plan was adopted by Council in October 2013 and			

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	quotations, invoices, vouchers, letters of appointment, etc.)		Files system in alphabetical order			e		submitted to Provincial Archives for approval			
5.15		Implementation Plan of the Registry document management system	Action Plan	April 2016	On-going	HOD: Corporate	PA	Provincial Archives will assist the Municipality in developing the Action Plan and monitor the implementation of the plan moving forward			
5.16	There are some disagreements between the Unions and Management. Staff discipline has deteriorated to levels	Special Task Team consisting of all parties was agreed upon to be facilitated by CoGTA	Discussions processes/results	Nov. 2015	On-going	MM	CoGTA	Foundation already made. Negotiations to be facilitated by CoGTA. It is not all demands that are legal. Labour leaders are aware already and are using Whatapp platform to stir trouble. SALGBC is the only suitably placed authority to deal with disputes outside local mandates. Labour and Management need to comply with MCA at some stage and observe the rule of law governing the LG workplace			
5.17		Implement No-work, no-pay principle: Re-December 2015 Strike Action by	Deductions from striking workers	01.04. 2016	30.06. 2016	AMM, GM: Corp S, Mgr.	Adminis trator				

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		SAMWU members				HR					
5.18		Ensure that disciplinary action are instituted timeously against staff	Timeous institution of disciplinary matters	01.04. 2016	30.06. 2016	AMM, GM: Corp S, Mgr. HR	Adminis trator				
5.19		Ensure functionality of LLF	Regular LLF Meeting and lessened Labour Disputes	01.04. 2016	30.06. 2016	AMM, GM: Corp S, Mgr. HR	Adminis trator				
5.20	Staff Head count verification to curb ghosts employees.	Reconciliation between HR records and Pay records	Reconciliation report	01.04. 2016	30.06. 2016	AMM, GM: Corp S, Mgr. HR	Adminis trator	The physical old-fashioned head-count strategy will be used.			
5.21		Reconciliation between the departments lists and HR records	Reconciliation report	01.04. 2016	30.06. 2016	AMM, GM: Corp S, Mgr. HR	Adminis trator	Achieved			
5.22		Internal Auditors to undertake the staff verification due diligence exercise	Audit Report on staff verification	01.04. 2016	30.06. 2016	AMM, GM: Corp S, Mgr. HR	Adminis trator	Cogta's HR Unit has offered to undertake the activity at no costs.			
5.23		Secondment or Appointment resources with requisite skills and experience to head Finance and Technical Services	Seconded or Appointed Heads of Finance and Technical Services Departments and	01.03. 2016	30.04. 2016	AMM, GM: Corp S,	Adminis trator				

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	Services Departments and the Office of the Municipal Manager	Departments and the Office of the Municipal Manager	Acting Municipal Manager								
5.24	There is a risk of staff in Technical department exposed to hazardous environment due to noncompliance with OHS Act	Ensure that staff in technical department undergo regular medical check-ups and are provided with relevant consumables	Provision of Occupational Health Unit on the organogram and staffing thereof and Scheduled medical examinations and provision of consumables for staff	01.04. 2016	30.06. 2016	AMM, GM: Corp S, Mgr. HR	Adminis trator				
	Sub Total	24									
6. CROSS CUTTING MATTERS											
6.1	Unspent grants/ outstanding close out reports from previous financial years	Investigate and report on R200 000 transferred for Accredited Councillor Training during 2012/13 financial year	Close Out and/or Progress Report on transferred Accredited Councillor Training Grant transferred during 2012/13 financial year	01.04. 2016	30.06. 2016	AMM, GM: Corp S, Mgr. HR	Adminis trator				
		Investigate and report on	Close Out and/or	01.04.	30.06.	AMM,	Adminis				

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		R2,000,000 transferred for LED Mseleni Ground Nuts Ward 5 Mhlabuyalingana Municipality during 2012/13 financial year	Progress Report on LED Mseleni Ground Nuts Grant transferred during 2012/13 financial year	2016	2016	GM: Corp S, Mgr. HR	trator				
		Investigate and report on R14,127,000 transferred for during 2012/13 financial year	Close Out and/or Progress Report on Massification Grant transferred for during 2012/13 financial year	01.04. 2016	30.06. 2016	AMM, GM: Corp S, Mgr. HR	Adminis trator				
		Investigate and report on R750,000 transferred Citizen Satisfaction Survey during 2013/14 financial year	Close Out and/or Progress Report on Citizen Satisfaction Survey Grant transferred for 2013/14 financial year	01.04. 2016	30.06. 2016	AMM, GM: Corp S, Mgr. HR	Adminis trator				
	Implementation of the Back-to-Basics Support Plan	Monitor the implementation remedial actions of the challenges identified in the Back-to-Basics Support Plan	Updated Back-to-Basics Support Plan	Ongoing	30.06. 2016	MAnc	Adminis trator				
	Service delivery	Form functional Rapid	functional Rapid	Ongoing	30.06.	MAnc	Adminis				

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	related public protests	Response Team	Response Team		2016		trator				
	Uncoordinated support to the Municipality	Co-ordinate support provided to the Municipality by various government departments/ agencies	Co-ordinate support with one report	Ongoing	30.06. 2016	MAnc	Adminis trator				
	The District has co-ordinate the CMC matters for the amalgamation of Hlabisa and Big 5 False Bay Municipality	Ensure implementation of the CMC milestones and adherence to deadlines thereof	Successful CMC processes	Ongoing	03.08. 2016	MAnc	Adminis trator				

The above Recovery Plan sets out a tool of monitoring and will inform monthly progress reports to be submitted to relevant structures and stakeholders. Red – High Priority, Yellow – Medium Priority, Green – Low Priority and White denotes activities Achieved as at the date of review.

# **ANNEXURE E**

**ANNUAL REPORT FOR UMHLOSINGA DEVELOPMENT AGENCY 2015/2016**



Adopted 09/12/16

# 2015/16 FY ANNUAL REPORT



AUDITOR - GENERAL  
SOUTH AFRICA





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# CHAPTER 1:

## INTRODUCTION AND

## OVERVIEW

## **FOREWORD FROM THE CHAIRMAN**



It is exciting to have this opportunity again of rendering an account of the activities of UMDA for the year under review.

UMDA as the UMkhanyakude District Municipal entity is tasked with stimulating and facilitating economic growth within the district, through the implementation of catalytic projects. Agribusiness and Tourism has been identified as the two main economic drivers of the district. However, the agency has also been mandated in the past to implement specific infrastructure projects that include the Mkuze Airport Development and the Jozini Hydro electricity generating plant. We have also been requested to implement three small town regeneration project by KZN COGTA which in a way confirms the confidence that our stakeholders have in us. We are in the middle of implementing

a five year strategy that will place the agency in the heart of delivery. The agency now focuses in implementing catalytic projects in the fields of Agribusiness, Tourism, infrastructure and urban development.

## **Our Vision**

***A leading partner providing investment solutions to economic development.***

## **Our Mission**

***To co-ordinate, plan and manage the implementation of a locally driven program of catalytic projects, to fast track the development of the local economy of the district of uMkhanyakude.***

## **Our Objectives**

1. To promote sustainable commercialisation of agriculture and establishment of agri-business industries in the district
2. To develop world class tourism establishment
3. To develop settlements that promote urbanisation and industrialisation
4. To develop world class catalytic infrastructure that promotes economic development
5. To develop institutional capacity of the agency, at all levels, with the capacity to effectively implement and raise funds for catalytic projects and operational needs.

In order to achieve our mandate, we have been working with a number of stakeholders both in the province and nationally. We believe that if we have to make an impact as the agency, we need to work together with all the relevant stakeholders but also co-ordinate our efforts better. In this regard, we have now created a platform for better engagement with our parent municipality, which has yielded some excellent results. We have concluded and signed the service level agreement and the shareholder compact, which is remarkable.

Tourism is currently a major draw card for the district. A number of jobs have been created in the sector but not significant enough to match the profile and growth of the industry. Transformation in the sector is also of priority, as we enter a new phase of economic transformation in our country.

Tourism has not reached its full potential as the economic driver of the district economy, as outlined in the provincial growth and development plan and the Makhathini Integrated Development Plan. Through Route 22, The Hotel School and the Tourism Development Nodes, we are now implementing plans that will ensure that our district attracts more domestic and international tourists, while boasting with world class establishments and unique tourism attractions.

Agriculture and agribusiness together are the most important sectors in the district. We are elevating agri-business to be at the top of the agenda for economic transformation and development. Agribusiness is beginning to play a critical role in jump-starting economic transformation through the development of agro-based industries that bring much needed jobs and income. Successful agribusiness in turn stimulates agricultural growth through the provision of new markets and the development of a vibrant value chain. The National Schools Nutrition Project is currently providing a platform for such participation in the value chain. I am confident that the strategy of the agency will bear fruits in the short to medium term.

Mkhuze Regional Airport Development has also gained momentum, an agreement has been concluded with a smaller airline, the environmental impact assessment process is nearing its end and the PDA application have been commenced in earnest. A number of other national airlines have confirmed their interest in Mkhuze to be their new destination. We are now working around the clock to make this a reality. Fencing of the airport precinct which state of the art fence has also commenced. We are also fast tracking the implementation of the Jozini Hydro Project, a consultant has been appointed to deal with planning, technical designs, funding and implementation. These are capital intensive projects but are also catalytic in nature. We have commenced with a fundraising drive and I am also confident that we will finally see the airport delivered to the people of the district.

The Provincial Growth and Development Strategy also acknowledges the need to develop sector specific strategies to ensure effective implementation of the strategy, particularly, in terms of addressing the triple challenges of unemployment, poverty, inequality and more importantly integrating youth into the mainstream of the economy.

During the year under review we had both the CEO and CFO occupying their positions, this has provided stability in the organization, with less staff turnover. I have instructed management that they must deliver a clean audit in the next financial year and nothing else.

We are building an agency that will create jobs, create economic opportunities and address poverty and inequality. If we fail to do the above, we would have failed our people, since we are the guardians of economic development in our district. I promise that through the Economic Development revolution in the district, as driven by UMDA, the challenges of unemployment, poverty and inequality will be addressed. Our interventions have already created a number of jobs and we are working hard to create even more jobs in the near future.

I thank you

***Russell P. Tembe***

**Chairman of the Board of Directors**

## **1.2 FOREWORD FROM THE CEO**

This year has been an exciting year for the UMDA. It was the second year whereby the current CEO has spent a full year with the agency, the first full year for the CFO and also the third year for the board. Finally, the organization is implementing a strategy that will not only change the face of UMDA, but that will also change the way agencies have been doing business in the country.

A legislative framework relating to municipal entities came into effect through amendments to the Municipal Systems Act (MSA) and the enactment of the Municipal Finance Management Act (MFMA). The MSA defines three types of entities that may be established by a municipality with effect from 1 August 2004; private company, service utility or multi-jurisdictional service utility.

Prior to the MSA and MFMA requirements taking effect, municipalities used various arrangements to deliver services and manage the functions they performed. These included formation of trusts, section 21 companies and private companies. It was a requirement for municipalities to review these structures in view of the amended legislative framework and either convert them to an entity as per the amended legal framework or disestablish them, if they are no longer required. A review would cover such aspects as objectives of the entity, purpose for its establishment, activities being performed in an efficient and effective manner, providing value for money, sustainable budgets and viable funding, self-sustainability, appropriateness of governance structures to provide effective municipal oversight, accountability, transparency and reporting.

After the review, the previous council of uMkhanyakude district municipality concluded to establish a municipal entity as a local economic development agency. The main responsibility of the agency is to stimulate economic growth through implementation of catalytic projects. Whilst the powers accorded to the agency are broad, the mandate is limited and focuses on the implementation of economic catalytic projects. We have now separated the LED function of the municipality to that of the agency. The agency has specific large catalytic projects to implement whilst the LED sections will be responsible for policy, social projects and small economic development projects. In order to manage this separation of powers effectively, we have concluded that the agency should be a technical and professional organization but not an LED practitioners' organization. Going forward we are employing experts in the fields of agribusiness, tourism development, infrastructure and urban development to assist the agency to implement its



mandate effectively. In terms of the Annual performance report we achieved an exceptional 90% performance of the key performance areas, due to commitment from my team.

During the year under review we improved our financial performance and obtained an unqualified audit opinion. Our financial viability has also improved from unfavourable requiring intervention to favourable though concerning, as a result of an increase in grants. This is due to hard work from Management and Board. We have also decreased considerably irregular expenditure to R249 092 as a result of prudent management. Management since took a number of resolutions towards improving the audit opinion to that of clean administration. We are still committed to ensuring that the agency achieves a clean audit opinion going forward.

The organization is currently funded by the District for operational expenses and funded by other funding agencies for content cost. In this financial year we received only R3 million from the district for operational costs and R5, 4 million from KZNEDTEA for the construction of the Mkhuze Airport perimeter fence. We have also continued to implement the contract with the KZN department of Education worth R24 million per year, effective from January 2015. During the course of the year, we have managed to reduce the debtors book of the agency drastically and maintained our tax matters efficiently. The Parent Municipality experienced severe cash flow and financial management challenges during the year under review and these challenges have impacted negatively on the agency, to the extent that committed funding owed to the entity in the previous financial years, could not be transferred to the agency. Together with the parent municipality we are reviewing the funding of the organisation in the coming financial year. Despite these challenges, especially encountered by the parent municipality, the agency is in a financially stable position.

I would like to thank Mr. Velemseni Nxumalo Agribusiness Officer, who resigned to pursue private interests. We have a stable workforce with an opportunity for the agency to grow, to craft and implement new projects and to appoint better qualified personnel who are up to the task of taking the economic revolution of the district forward. We are now focusing on building capacity within the existing team and also appointing new team members who are specialists in their fields.

During the year we have implemented projects like the Development of Mkhuze Airport, Jozini Hydro, Hotel School, and Schools Nutrition Projects that enhances our role as a development catalyst in the district. As we move forward to the next level of our revolution, it is critical that we

build and maintain strategic partnerships with our local, provincial and national stakeholders. We will strive for co-operation and better co-ordination of our efforts.

The Operation Phakisa programme is providing such opportunity. In order to successfully implement this programme, we need to collaborate with our partners and stakeholders, especially the District and Local Municipalities. The ongoing support of both local and provincial government for the UMDA is of utmost importance, this will set the wheels in motion to achieve the goals that our leadership is expecting the UMDA to achieve. The role of the private sector is also pivotal in our interventions, as they will ensure sustainability beyond the public sector investment.

During this year under review we performed excellently and met most of our performance targets. We have reviewed our performance targets and aligned them to our capacity and mandate. I would like to thank all my staff members for their great work, commitment and dedication. Your contribution will never go unnoticed. To my board, you are an example of selfless dedication, commitment and vision. I cherish your contribution to the development of the district and her people.

Thank you.

***Mandla Ntuli***

**Chief Executive Officer**

### 1.3 OVERVIEW OF THE AGENCY

The district is located in the north-eastern corner of the province and shares a national border with Mozambique in the North, with Swaziland in the Northwest and is bounded to the east by the iSimangaliso world heritage site. The UMkhanyakude District Municipality abuts the municipal districts of uThungulu (to the south) and Zululand (to the west). The district forms the southern portion of the Maputaland Coastal Plain, which extends southwards from East Africa, through Mozambique and into northern KwaZulu Natal.

## Umkhanyakude District Municipality



	<b>Jozini</b> Local Municipality		<b>uMhlabuyalingana</b> Local Municipality
	<b>Hlabisa</b> Local Municipality		<b>Big 5 False Bay</b> Local Municipality
		<b>Mtubatuba</b> Local Municipality	

The district is named after the UMkhanyakude Tree (*Acacia Xanthophyllous*, Fever Tree which translated to English means “the light in the distance”). The district covers an area of approximately 12 818 km<sup>2</sup> and has a population of some 625 846 persons. The district is largely rural with only one formal town, namely Mtubatuba in the south. There are several towns in the area that are experiencing rapid growth including Mkuze, Hluhluwe, Jozini, Emanguzi and Mbazwana. The center of Jozini, in particular, has experienced considerable growth in investment and is fast becoming one of the strategic development nodes within the district.

Primary access to the district is by road mainly via the national N2 route (which links the southern and northern parts of the KwaZulu Natal province), and via the coastal SDI route (MR439), which upon completion, will link the national N2 route, with the city of Maputo, in Mozambique. The district is strategically linked to the provincial markets of KwaZulu Natal and Mpumalanga and to the neighboring market of Swaziland, via the N2 route. In terms of international trade links, the district's has access to global markets through the provincial ports of Durban and Richards Bay. Upon completion of the LSDI route between Hluhluwe and Maputo, the district will have a direct link to the Port of Maputo, in Mozambique.

UMkhanyakude has outstanding potential for agriculture and tourism development, with the district having a wealth of natural beauty and outstanding landscapes, as well as a favorable climate and fertile soils for major agricultural production. The district is closely associated with the iSimangaliso, "Maputaland", the Makhathini Flats and the Pongola-Poort/Jozini Dam (constructed in the 1970's with the intention of unleashing the agricultural potential of the area).

Several initiatives have been taken in the post-apartheid period, in an effort to boost economic activity in the sub region, including:

1. The recognition of the iSimangaliso as a UNESCO World Heritage Site, in 1999.
2. The rollout of the Lebombo Spatial Development Initiative (LSDI), a joint program by South Africa, Swaziland and Mozambique that aims to unlock economic development potential of the wider Lubombo sub-region within the framework of the South African Development Community (SADC).
3. Tripartite Conservation Agreements with the two neighboring SADC countries of Swaziland and Mozambique focused on the future establishment of a Trans-Frontier Conservation Area (TFCA), to boost social and economic interchange, and tourism in the region.

Notwithstanding the aims and objectives associated with the abovementioned initiatives, the district currently remains an area characterized by extreme poverty and a pronounced lack of development across vast areas of the jurisdiction. It is for this reason amongst others that UMDA was established as a municipal entity dedicated to promoting economic development through the facilitation and implementation of economic catalytic projects.

The UMkhanyakude District Municipality's Integrated Development Plan; 3<sup>rd</sup> Generation 2014/15 (2015:88) described the UMDA's mandate as: **UMhlosinga Development Agency (UMDA)-**

In response to the challenges regarding Economic Development, the UMkhanyakude District Council decided to establish a Special Purpose Vehicle to drive Economic Development in the District. The UMhlosinga Development Agency was established by Council resolution in 2006. With financial assistance from the Local Economic Development Agency program of the Industrial Development Corporation, the agency started Operations on the 1st of January 2008.

The UMDA speaks to 5 major Key objectives of the IDP

1. Financial Viability
2. Economic Development
3. Corporate Governance
4. Institutional Development
5. Job Creation

The UMDA functions as a Local Economic Development Agency (LEDA) spearheading growth and development in the sub region. The District Municipality has formally mandated the agency, to be responsible for the planning and implementation of a program of sustainable economic that acts as an agent, for and on behalf of the UMkhanyakude District Municipality, for the purposes of implementing an integrated and sustainable program of economic development in the area.

## **CHAPTER 2:**

## **GOVERNANCE**

## SECTION A: GOVERNANCE STRUCTURES

### 2.1 BOARD GOVERNANCE

The UMDA Board of Directors consist of seven members; five non-executive and two executive members. The Board focuses on providing strategic direction and monitoring the performance of the organisation. As part of strategy implementation the Board has approved policies which are directed at providing a framework for the UMDA's operations and governance.

The Board's monitoring of the UMDA's performance during the financial year was through four board meetings. The Board as supported by the Audit Committee has placed emphasis on compliance requirements and performance management. During the financial year internal auditors were appointed. In all board meetings the board has ensured that the following is addressed:

- a) Performance Management;
- b) Financial Management and Viability;
- c) Risk Management; and
- d) Stakeholder Management.

#### **Board Committees:**

<b>BOARD MEMBER</b>	<b>CAPACITY</b>	<b>BOARD COMMITTEE</b>	<b>RACE</b>	<b>GENDER</b>
<b><i>Mr. Russell Tembe</i></b>	Non-executive	Board Chairman	African	Male
<b><i>Mr. Sibusiso Gumbi</i></b>	Non-executive	Deputy Chair	African	Male
<b><i>Mr. Zwelisha Ndwandwe</i></b>	Non-executive	Member	African	Male
<b><i>Mr. Sipho Nyawo</i></b>	Non-executive	Member	African	Male
<b><i>Mr. Mfundo Thango</i></b>	Non-executive	Member	African	Male
<b><i>Mr. Mandla Ntuli</i></b>	Executive	Chief Executive Officer	African	Male
<b><i>Mrs. Qhamu Mntambo</i></b>	Executive	Chief Financial Officer	African	Female

**Board Meetings:**

<b>BOARD MEMBER</b>	<b>BOARD MEETINGS</b>			
	<b>No. Meetings</b>	<b>Attendance</b>	<b>Apology</b>	<b>Absent</b>
<b>Mr. Russell Tembe</b>	4	4	0	0
<b>Mr. Sibusiso Gumbi</b>	4	4	0	0
<b>Mr. Zwelisha Ndwandwe</b>	4	4	0	0
<b>Mr. Sipho Nyawo</b>	4	0	4	0
<b>Mr. Mfundo Thango</b>	4	1	3	0
<b>Mr. Mandla Ntuli</b>	4	3	1	0
<b>Mrs. Qhamu Mntambo</b>	4	4	0	0

**Board Engagements:**

<b>BOARD MEMBER</b>	<b>BOARD ENGAGEMENTS</b>			
	<b>UMkhanyakude District Municipality</b>		<b>Sector Departments</b>	<b>Investors</b>
	<b>Council</b>	<b>Exco</b>		
<b>Mr. Russell Tembe</b>	✓	✓	✓	✓
<b>Mr. Sibusiso Gumbi</b>	✓	✓	✓	x
<b>Mr. Zwelisha Ndwandwe</b>	✓	✓	✓	x
<b>Mr. Sipho Nyawo</b>	✓	✓	✓	✓
<b>Mr. Mfundo Thango</b>	✓	✓	✓	x
<b>Mr. Mandla Ntuli</b>	✓	✓	✓	✓
<b>Mrs. Qhamu Mntambo</b>	✓	✓	✓	x

Note: While the Board recognizes that Mr. Nyawo has not been able to attend scheduled board meeting due to other prior commitments; it however; appreciates the contributions he has made through Board Engagements.



## KEY SUCCESSES FOR YEAR:

The Board finalized its Strategy and Business Plan, which presented key goals and objectives to management, which aim to ensure that substantial economic development is realized in the district.

The Board supported management in engaging with key stakeholder for capital project funding. This intervention by the Board has yield desirable results during the final year under review. The Board's support with engagements led by the Board's Chairperson was as follows:

<b>Engagement</b>	<b>Purpose</b>	<b>Outcome</b>
<i>Meeting with the former MEC for the KwaZulu Natal Department of Economic Development; Tourism and Environmental Affairs; Mr. Mike Mabuyekhulu.</i>	Capital Project Funding	The outcomes of this meeting were remarkable as the UMDA signed a service level agreement (SLA) with the department for fencing of the Mkhuze Airport.  The project was thereafter launched by the former MEC and erection of the fence has commenced.
<i>MEC for the KwaZulu Natal Department of Economic Development; Tourism and Environmental Affairs; Honorable Sihle Zikhalala.</i>	Business Briefing Session	The session was supported by Board as discussions on UMkhanyakude's business development and the role of the UMDA commenced.
<i>Chairperson of the Board and the Deputy Minister of the National Department of Environmental Affairs</i>	Tourism Node Funding	The UMDA has since added two nodes for its 2016/17 performance plan and it is anticipated that an agreement will be signed between the department and the UMDA for tourism projects funding.
<i>Chairperson of the Board and the Industrial Development Cooperation (IDC)</i>	Funding for Feasibility Studies	The IDC expressed its support on the UMDA's Strategy and requested for applications for project funding.

As ambassadors of economic development; the Board's support in ensuring that it implements its strategy has been remarkable in this financial year.

## AUDIT COMMITTEE

### Report of the Audit Committee

We are pleased to present our report for the financial year ended 30 June 2016.

### Background

The Audit Committee was appointed in terms of the Municipal Finance Management Act No. 56 of 2003, to assist the entity and its Board in discharging its oversight responsibilities. The committee advises the senior management and the board of UMHlosinga Development Agency on matters relating to: internal controls; internal audits, risk management; accounting policies; the adequacy, reliability and accuracy of financial reporting and information; performance management; effective governance; compliance with the Act, and other applicable legislation; performance evaluation any other issue that may be referred by Board or specific requests from time to time.

### Audit Committee Members and Attendances

The Audit Committee consists of the members listed hereunder and the committee met at least four times annually, as per the approved Audit Committee Charter:

<i>Member</i>	<b>Meetings attended</b>			
		<b>18 January 2016</b>	<b>09 June 2016</b>	<b>28 June 2016</b>
<i>B. Menyuka</i>	NA	√	A	√
<i>V. Tembe</i>	NA	√	√	A
<i>S. Vilakazi</i>	NA	√	√	√

**Note:** the first meeting for the current year under review was held by the previous audit committee.

### Legends:

A-Apology

R- Resigned

NA- Not Yet Appointed

## **Internal Audit**

Due to internal challenges the entity did not have the Internal Audit Unit throughout the financial year. The Internal Auditors were only appointed towards the end of the financial year to review the internal controls and processes for the entire financial year, even though this was as a result of the internal challenges, it is affected compliance in terms of the MFMA.

We have reviewed and discussed the report issued and prepared by the Internal Auditors to ensure that the function was executed effectively and objectively, we can report as required of us, by Audit Committee Charter that we were not entirely happy with the content and quality of the report prepared and issued by the Internal Auditors during the year under review, we advise the board that there should be a lot of improvement in the Internal Audit Unit in order for it, to fulfil its task as required by the MFMA, of providing the management with continuous and effective assurance of whether internal controls are effective and appropriate.

## **The Effectiveness of Internal Controls**

The system of internal controls employed by the entity, to its financial and risk management is effective and efficient and transparent. In line with the MFMA and the recommendations of the King III report on Corporate Governance requirements, the Internal Audit Unit provides the Audit Committee and management with the assurance that the internal controls are effective and appropriate. This is achieved by means of risk management process, as well as identification of corrective actions and suggested enhancements to the controls and processes.

However, the entity did not have the Internal Audit working throughout the year, due to internal and budgetary challenges. This resulted into the entity only appointing Internal Auditors at the end of the year to review the processes and internal controls for the entire year, despite this unfavorable situation, the Internal Audit Report and Dash Board Report by the Auditor General did not indicate any material deficiencies in the system of internal controls and processes.

Accordingly, we can report that the system of internal over the financial reporting period under review was satisfactory.

## **Evaluation of Financial Statements**

We have:

- Reviewed the financial statements to be submitted to the Auditor General of South Africa with the Internal Auditors and the Top Management of the agency.
- Reviewed and discussed the action plan and the progress thereto, that emanates from the Auditor General management letter.
- Reviewed accounting policies, and the impacts of updates to GRAP statements.
- Reviewed the entity's compliance with legal and regulatory provisions.

## **External Auditors**

We have built a relationship with the external auditors as required by the Audit Charter, the external auditors are invited to our meetings, and have access to the Audit Committee.

On behalf of the Audit Committee

*Bhekokuhle Menyuka*

Chairperson Audit Committee

## 2.2 MANAGEMENT GOVERNANCE



## SECTION B: INTERGOVERNMENTAL RELATIONS

### 2.3 INTERGOVERNMENTAL RELATIONS

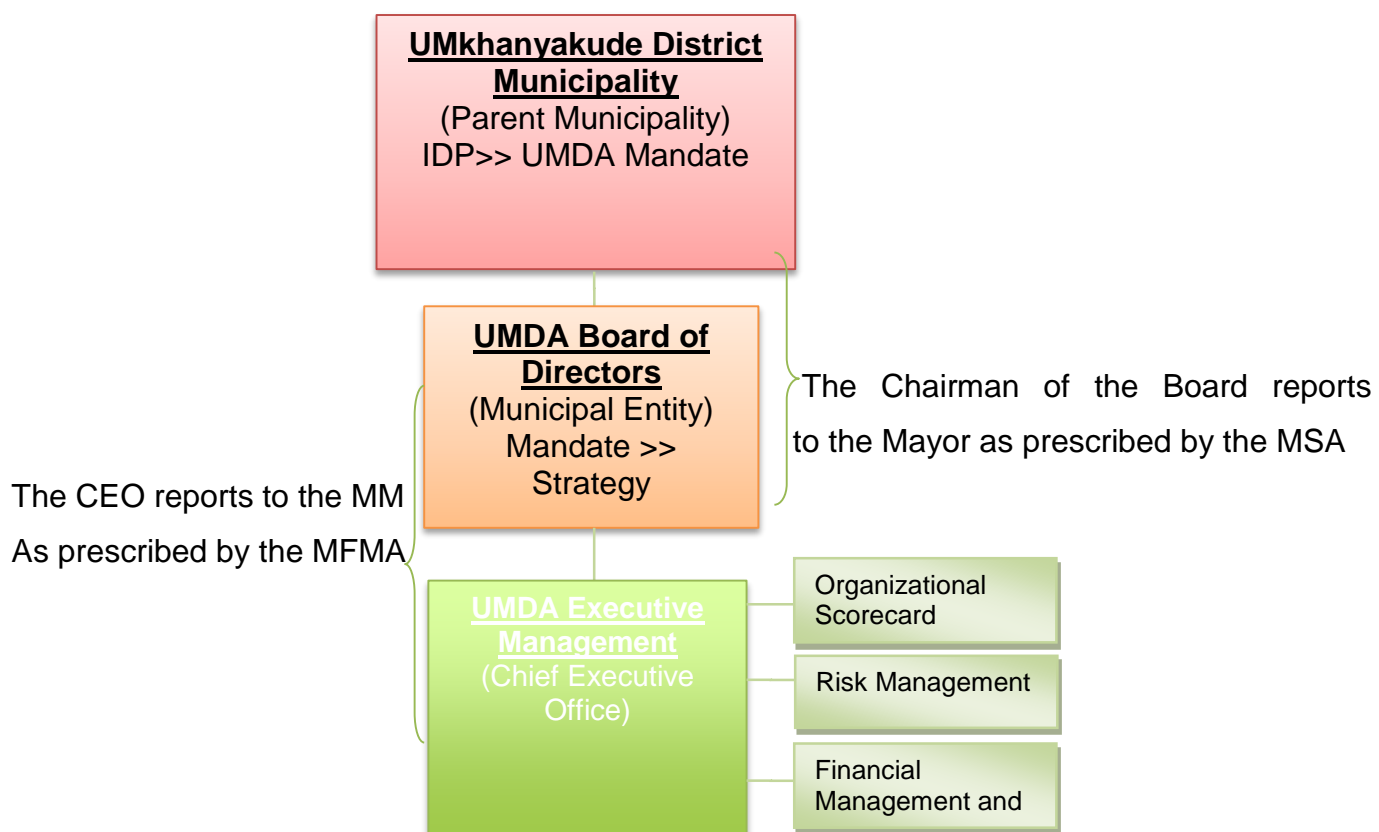
Effective management of relationships with stakeholders is crucial to resolving issues facing organizations. By using their influence, stakeholders hold the key to the successful project buy-in and implementation. Numerous studies have been done on the district's potential economic growth; alignment of activities and sharing of lessons learnt will assist UMkhanyakude's economic growth. The UMDA continues to engage stakeholders for capital project support. For this financial year; the UMDA projected to engage ten stakeholders for technical and/or funding support for capital project funding. Over and above the set target; the UMDA has entered into agreements with stakeholders.

The UMDA has signed the following agreements during the 2015/16 Financial Year:

<b>Stakeholder</b>	<b>Type of Agreement</b>	<b>Name of Agreement</b>	<b>Purpose</b>	<b>Duration</b>
<b><i>KZN Dept. Economic Development; Tourism and Environmental Affairs</i></b>	Memorandum of Agreement	Erection of Perimeter Fence	Fencing of perimeter of the airport as of Category 3 airport requirements stipulated by South African Civil Aviation Authority (SACAA) and International Civil Aviation Organisation (ICAO)	1 year
<b><i>Mjindi Farming</i></b>	Lease Agreement	Pack House Lease Agreement	Storage of perishable goods for the National School's Nutrition Programme	1 year
<b><i>Sky Voyager</i></b>	Service Level Agreement	Provision of Air Charter Services	Scheduled charter flights at Mkhuze Airport.	2 years

## SECTION C: ACCOUNTABILITY

### 2.4 RELATIONSHIP BETWEEN THE UMHLOSINGA DEVELOPMENT AGENCY AND UMKHANYAKUDE DISTRICT MUNICIPALITY



## **Shareholder and Management**

During the financial year the UMDA's management together with the UMkhanyakude District Municipal management undertook an assignment of aligning the UMDA and the Planning and Economic Department of UMkhanyakude. A commission was set up which comprised on executive management of both organisations where they unpacked the mandate of the UMDA and aligning it with current programmes vs. demand. In that exercise the commission also conducted a benchmarking of how other District Development Agencies (DDA) operates. A report was subsequently compiled and submitted to Council for consideration.

## **Shareholder and the Board**

Following the work of the commission; the Board met with the shareholder. This processes was done through the Mayor's Executive Committee (EXCO) and Council. The meeting with the EXCO and the Board was aimed at aligning the shareholder's mandate and the performance of the Board. This meeting then led to a Council meeting where Council approved the following:

- a) Signing of the Shareholder Compact Agreement which included the Annual Performance Plan and Budget for 2015/16 between the UMDA's Chairperson; Mr. Tembe and UMkhanyakude District Municipal Mayor; Cllr. Vilane.
- b) Signing of the Service Level Agreement between the UMDA's Chief Executive Officer; Mr. Ntuli and the UMkhanyakude District Municipality's Acting Municipal Manager; Ms. Ndlela.



## 2.5 RISK MANAGEMENT

In accordance with the requirements of the MFMA, UMDA conducts quarterly assessments of the organisational risks within the entity. These risk registers are produced and reviewed by the Audit Committee, which is then presented to the Board of Directors.

The UMDA during the year under view identified the following as top 5 risks:

No	Risk	Risk Descriptions	Current Controls
1.	Business Sustainability	- Instability of UMDA Development Agency	- Business plans and action plan. Monthly reports.
2.	Supply Chain Management	- Delays in Supply chain management processes and project implementation.	- UMDA Board of Directors has adopted an SCM Policy
3.	Expenditure Management	- Insufficient management of expenditure	- Credit Control. ( <i>Monthly reconciliation</i> ) Finance Policy. Procurement Plans
4.	Information Technology	- Crash of IT systems. Loss of electronic information. Virus on computers.	- ADSL contract with Web for uninterrupted internet access. I.T recovery plan in place.
5.	Asset Management	- Inaccurate asset register	- Asset Policy; Asset register. Quarterly Monitoring by Chief Financial Officer.

The UMDA has created policies and strategies to address the identified risks. Current controls assist in mitigating the risk. The following controls cover all identified risk for better management:

- ✓ Anti-Fraud and Corruption Strategy and Prevention Plan
- ✓ SCM Policy
- ✓ Finance Policy
- ✓ Banking; Cash and Investment Policy
- ✓ Information Technology Strategy
- ✓ Information Technology and Security Policy
- ✓ Asset Management Policy

## 2.6 POLICIES

The UMDA has organizational policies which are to guide internal processes and adhere to principles of good governance. These policies are to be reviewed annually. The review process involves staff workshops for comments; thereafter the policies are submitted as final drafts. This financial year the agency received support from Provincial Treasury on ensuring that the policies are in line with legislation. Provincial Treasury also advised the agency on new policies that it needed to adopt.

Policies were then submitted to the Audit Committee for review and comments and to the Board for approval. The following policies were approved by the Board:

<b>Policy</b>	<b>Audit Committee</b>	<b>Board</b>
<i>Substance and Travel Policy</i>	Review	Adopted
<i>Risk Management Policy</i>	Review	Adopted
<i>Human Resources Management Policy</i>	Review	Adopted
<i>Performance Management Systems Policy</i>	Review	Adopted
<i>Petty Cash Policy</i>	Review	Adopted
<i>Leave Policy</i>	Review	Adopted
<i>Budget Policy</i>	Review	Adopted
<i>Virement Policy</i>	Review	Adopted
<i>Budget; Cash Management and Investment</i>	Review	Adopted
<i>Written-Off Policy</i>	Review	Adopted
<i>Finance Policy</i>	Review	Adopted
<i>Fixed Asset</i>	Review	Adopted
<i>Supply Chain Management Policy</i>	Review	Adopted
<i>Information Technology and Security Policy</i>	Review	Adopted
<i>Anti-Fraud and Corruption Strategy and Prevision Plan</i>	Review	Adopted

## **CHAPTER 3:**

### **SERVICE DELIVERY AND**

### **PERFORMANCE HIGHLIGHTS**

## SECTION A: AGRIBUSINESS DEVELOPMENT

Research on UMkhanyakude's economic potential has over the years proven that agribusiness is one of the key industries for growth. The UMDA has supported the research findings by placing agribusiness as one of its key developmental sectors over the years.

During the 2015/16 financial year; the UMDA continued to implement the National School's Nutrition Programme which is aimed at supply schools with fresh fruits and vegetables. The programme has further assisted local farmers with a market for their produce. Keeping with health requirements; a maintenance plan has been prepared for the Mjindi Pack House. The maintenance plan will assist in ensuring that produce which is delivered to schools meets the highest quality standards for perishable goods.



A Fruits and Vegetable Production business plan focusing on expanding the agribusiness sector has been prepared. The business plan will assist in the development of a fresh produce market for the district. To complement the sector; a Hydroponic Business Plan has been approved by the Board which will assist in the stimulation of the agribusiness industry.

## SECTION B: TOURISM PROMOTION AND DEVELOPMENT



The year under review marked a significant change in the performance of our tourism mandate. This was marked by putting up of Route 22 tourism signage all over the district in September 2015 (compliments of Tourism KZN and Cogta). This will ensure easy navigation of the district by our tourists. Tourism statistics that we collected in 2015/2016 will be used to measure Route 22's impact going forward; in terms of tourist arrivals, tourism spend, etc.

While our negotiations with Inkosi Mngomezulu (Jozini/ Cecil Marks Pass Tourism Node) and Inkosi Hlabisa (Hlabisa Tourism Node) were gaining momentum, strong relationships with key tourism stakeholders were established. This includes finding an ambassador from Holland, Mr. Wouter den Dulk, who was delegated by PUM (a group of retired tourism experts from Netherlands) in May 2016 to come and assess our tourism industry. He came as a visitor but left an ambassador who will provide on-going coaching throughout the development of feasibility studies of our tourism nodes.

This year was closed on a positive note when the Agency passed phase A of accreditation process of the planned Hotel School by CATHSSETA. This gives a great anticipation for development of our hospitality sector which forms a major part of our tourism industry.

One can safely say that despite red tape and stumbling blocks that UMDA ought to address, our tourism industry is promising.



## SECTION C: INFRASTRUCTURE DEVELOPMENT



The Mkhuze Airport has made tremendous strides in the past year. The development has garnered a great amount of interest, not only from government departments, but the private sector as well. A lot of work has gone into getting us to the final stages of our Environmental Authorisation Application (EIA) and the Planning and Development Authorisation (PDA) is imminent.

**(Image: Launch of Mkhuze Airport fencing former MEC of DEDTEA; Mike Mabuyakhulu)**

Through partnerships and engagements with the KZN Department of Economic Development and Tourism and Environmental Affairs, UMDA was able to secure over R5 million for the fencing of the aviation portion of the property. Supply chain Processes have been conducted and the fence installation is currently underway and we expect completion by November 2016.

Thanks to new found interest and buy-in from economies from all over the world, Aerotropolis Developments have been getting a lot of attention, case in point the development and expansion of the Dube Trade Port at King Shaka International Airport. This new energy has moved the need for regional airport connections to the forefront. UMDA has had some very fruitful discussions with multiple Airlines operators who have shown great interest in bringing a new route into the Mkhuze Airport. This is not only excellent news for Mkhuze Airport and its development, but also with regards to opening up UMkhanyakude to the rest of the country and creating a gateway into the area. Watch this space; the Mkhuze Airport will initiate its first scheduled service very soon.



## Jozini Hydro

An implementing company has been appointed for the Jozini Hydro project. The appointment was made for the purposes of reviewing the feasibility study and the initiation of all applications as required for the hydro to be fully functional. The review will provide revised requirements and costing for the project.



## Broadband Connectivity

Broadband Connectivity Study project aimed at investigating and unpacking the power of Broadband Connectivity. The project is funded by the Industrial Development Corporation (IDC) and supported by UMhloosinga Development Agency.

The outputs of the project are the pilot study; business plan and feasibility report. The purpose of the pilot study was to test the community's response to broadband and benefits thereon.

Globalization has taken its toll. Unfounded statistics indicate that 3 out of 5 people own a smartphone. However, not all of them can afford to surf the net, be on social networks without feeling the pinch. Not-so-reliable network coverage in rural areas does not make it easy to get connected. Broadband is trusted to provide a solution. 100 metres radius coverage from the WI-FI hotspot will help solve the problem in Phumlani.

However, all parties involved hope that the outcome will be positive to see an opportunity for a roll out of this programme in the entire district of UMkhanyakude. Department of Education, in particular, would like to see inclusion of other schools district wide. This would help to close the gap between rural and urban schools. The benefits anticipated are boundless, ranging from easy

access to internet for learners enabling them to complete their projects efficiently; professionals like doctors and teachers, connecting with their counterparts all over the world; researchers accessing research data; to smooth business transacting among the trade. This definitely means growth to the district economy. Whilst the pilot study is in progress; a business plan has been drafted which indicates the demand of project in district. The business plan will be submitted to funders in the next financial year for investment.

### **Small Town Rehabilitation**

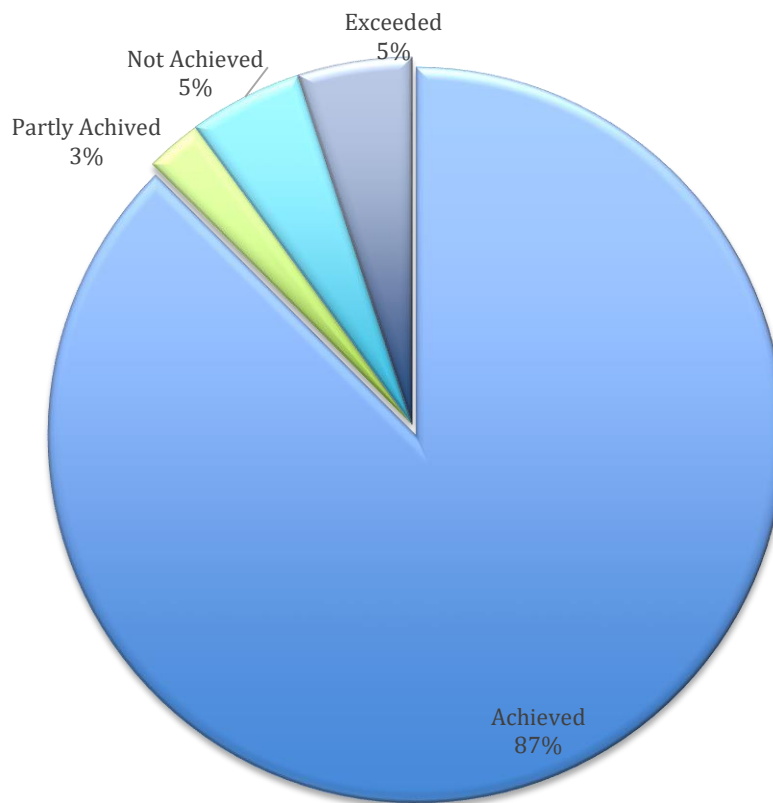
The Small Town Rehabilitation Programme is a programme which is funded by the KwaZulu Natal Department Corporative Governance and Traditional Affairs. The programme is directed at assisting in planning and beautification of small towns. The UMDA secured finding for the development of an Urban Framework for Mkhuze Town; Establishment of Mkhuze Market Stalls and the Construction of Ndumo Market Stalls.

The Development of Mkhuze's Urban Design Framework has been completed. A process of engaging sector departments through the project steering committee assisted in getting all plans for the Mkhuze town aligned to the plan. The business community has also engaged for comments in the plan. The enthusiasm showed by business in the plan encouraged the UMDA to focus in the town planning for investments even further.

Drawings for Mkhuze Market Stalls were completed and approved by the Jozini Municipality. The drawings are in line with the Urban Design Framework which is directed at the beautification of the work. It is anticipated that in the near future Mkhuze Town will be more attractive for visitors and investors.



## 2015/16 Performance Rating



## SECTION F: ANNUAL PERFORMANCE REPORT

### ANNUAL PERFORMANCE REPORT 2015/16

#### KEY PERFORMANCE AREA no. 1

#### GOOD GOVERNANCE

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Rating	Reasons for Deviation	Corrective Measures for Deviation
To ensure compliance with legislation applicable to municipal entities and principals outlined in the Kind III Report	1.1	Checklist reviewed by Audit Committee and adopted by the Board	Compliance Checklist reviewed by Audit Committee and Board	Compliance Checklist reviewed by Audit Committee and Board by 30 June 2016	Checklist reviewed on 28 June 2016 and adopted on 29 June 2016	Achieved	Achieved	n/a
	1.2	Organisational policies reviews by Audit Committee and adopted by Board	Policies reviewed by Audit Committee and adopted by Board	12 policies reviewed by Audit Committee and Board by 30 June 2016	14 policies reviewed on 28 June 2016 and adopted on 29 June 2016	Achieved	None	n/a

**KEY PERFORMANCE AREA no. 1**

**GOOD GOVERNANCE**

<b>Strategic Objective</b>	<b>KPI no.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2014/15</b>	<b>Planned Target 2015/16</b>	<b>Actual Achievement 2015/16</b>	<b>Rating</b>	<b>Reasons for Deviation</b>	<b>Corrective Measures for Deviation</b>
<b>To ensure compliance with legislation applicable to municipal entities and principals outlined in the Kind III Report</b>	1.3.1	Shareholder Compact and Annual Performance Targets signed by the UMDA Chairperson of the Board and UKDM Mayor	Shareholder Compact and Annual Performance Targets not signed	Shareholder Compact and Annual Performance Plan signed by 30 June 2016	Shareholder Compact and Annual Performance Plan signed between UMDA Chairperson and UKDM Mayor on 31 March 2016	Achieved	None	n/a
	1.3.2	Quarterly reports submitted to UKDM	New target	4 reports submitted to UKDM by 30 June 2016	4 reports submitted by 30 June 2016	Achieved	None	n/a
	1.4	Quarterly Board meetings	New target	4 Board meetings by 30 June 2016	4 Board meetings held by 30 June 2016	Achieved	None	n/a
	1.5	Quarterly Audit Committee meeting	3 Audit Committee meetings	4 Audit Committee meetings by 30 June 2016	4 Audit Committee meetings held by 30 June 2016	Achieved	None	n/a

**KEY PERFORMANCE AREA no. 2**

**LOCAL ECONOMIC DEVELOPMENT**

<b>Strategic Objective</b>	<b>KPI no.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2014/15</b>	<b>Planned Target 2015/16</b>	<b>Actual Achievement 2015/16</b>	<b>Rating</b>	<b>Reasons for Deviation</b>	<b>Corrective Measures for Deviation</b>
<b>To create partnerships that encourage investment into UMkhanyakude</b>	2.1	Engagements with stakeholders for capital project support	2 agreements signed with stakeholders	10 engagements with stakeholders by 30 June 2016	10 engagements made and 2 agreements signed by 30 June 2016	Exceeded	None	n/a
<b>To develop world class tourism products</b>	2.2.1	Memorandum of Understanding for signed between UMDA and Mpembeni Traditional Authority	Hlabisa Tourism Node identified	Memorandum of Understanding signed by 30 June 2016	Memorandum of Understanding not signed	Not Achieved	Negotiations took longer as the concept of nodal development is new.	Signing projected for 2016/17 FY

KEY PERFORMANCE AREA no. 2

LOCAL ECONOMIC DEVELOPMENT

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Rating	Reasons for Deviation	Corrective Measures for Deviation
To develop world class tourism products	2.2.2	Memorandum of Understanding for signed between UMDA and Mngomezulu Traditional Authority	Jozini Cecil Marks Pass Tourism Node identified	Memorandum of Understanding signed by 30 June 2016	Memorandum of Understanding not signed	Not Achieved	Negotiations with took longer as the concept of nodal development is new.	Signing projected for 2016/17 FY
	2.2.3	Application for feasibility studies for Hlabisa and Jozini Cecil Marks Pass tourism nodes	Tourism Nodes concepts developed	Application for feasibility studies by 30 June 2016	Funding for feasibility studies made Feasibility study in progress by 30 June 2016	Exceeded	None	n/a

**KEY PERFORMANCE AREA no. 2**

**LOCAL ECONOMIC DEVELOPMENT**

<b>Strategic Objective</b>	<b>KPI no.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2014/15</b>	<b>Planned Target 2015/16</b>	<b>Actual Achievement 2015/16</b>	<b>Rating</b>	<b>Reasons for Deviation</b>	<b>Corrective Measures for Deviation</b>
<b>To develop world class tourism products</b>	2.2.4	Hotel School Business Plan approved by Board	Business Plan drafted	Business Plan approved by the Board by 30 June 2016	Business Plan approved by the Board on 29 June 2016	Achieved	None	n/a
	2.2.5	Hotel School application for funding	Business Plan prepared	Application for funding by 30 June 2016	Application for funding made	Achieved	None	n/a
	2.2.6	Establishment of a Tourism Management Database	New target	Database to be completed by 30 June 2016	Database completed	Achieved	None	n/a
	2.2.7	Statistics Reports	New target	3 reports by 30 June 2016	3 reports in place	Achieved	None	n/a

**KEY PERFORMANCE AREA no. 2**

**LOCAL ECONOMIC DEVELOPMENT**

<b>Strategic Objective</b>	<b>KPI no.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2014/15</b>	<b>Planned Target 2015/16</b>	<b>Actual Achievement 2015/16</b>	<b>Rating</b>	<b>Reasons for Deviation</b>	<b>Corrective Measures for Deviation</b>
<b>To develop sustainable commercialisation of Agriculture and Agribusiness industries in UMkhanyakude</b>	2.3.1	Fruits and Vegetable Production and Distribution business plan	New target	Business Plan by 30 June 2016	Business Plan	Achieved	None	n/a
	2.3.2	Hydroponic Business Plan approved by Board	New target	Business Plan approved by Board by 30 June 2016	Business Plan approved by Board on 29 June 2016	Achieved	None	n/a
	2.3.3	National School's Nutrition Programme Delivery of fruits and vegetables	First roll-out phase	Delivery to all 533 schools per week of the school calendar by 30 June 2016	Delivery to 486 schools per week on average by 30 June 2016	Partly Achieved	Logistical challenges for delivery as some schools are not accessible due to poor road conditions	Plan in place to access all schools for 2016/17 FY

**KEY PERFORMANCE AREA no. 2**

**LOCAL ECONOMIC DEVELOPMENT**

<b>Strategic Objective</b>	<b>KPI no.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2014/15</b>	<b>Planned Target 2015/16</b>	<b>Actual Achievement 2015/16</b>	<b>Rating</b>	<b>Reasons for Deviation</b>	<b>Corrective Measures for Deviation</b>
<b>To develop sustainable commercialisation of Agriculture and Agribusiness industries in UMkhanyakude</b>	2.3.4	National School's Nutrition Programme Maintenance Plan	New target	Maintenance Plan for Mjindi Pack House by 30 June 2016	Maintenance Plan in place	Achieved	None	n/a
	2.3.5	National School's Nutrition Programme Sustainable Supply	Plantation Plan in place	10% of local produce by 30 June 2016	23% of local produce	Achieved	None	n/a



**KEY PERFORMANCE AREA no. 2**  
**LOCAL ECONOMIC DEVELOPMENT**

<b>Strategic Objective</b>	<b>KPI no.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2014/15</b>	<b>Planned Target 2015/16</b>	<b>Actual Achievement 2015/16</b>	<b>Rating</b>	<b>Reasons for Deviation</b>	<b>Corrective Measures for Deviation</b>
<b>To develop settlements that promote urbanisation and industrialisation</b>	2.4.1	Establishment of Mkhuze Market Stalls drawings	Business plan prepared and funding received.	Approval of Mkhuze Market Stalls designs by Jozini Municipality by 30 June 2016	Designs approved on 18 May 2016	Achieved	None	n/a
	2.4.2	Construction of Ndumo Market Stalls	Business plan prepared and funding received.	Commencement of construction by 30 June 2016	Re-advertisement of tender for construction in June 2016	Not Achieved	Bids received during tender were not successful which resulted in re-advertisement	Appointment of service provider by first quarter of 2016/17 FY
	2.4.3	Mkhuze Regeneration Plan approved by the Board	Business plan prepared and funding received.	Approval of Mkhuze Regeneration Plan by the Board by 30 June 2016	Mkhuze Regeneration Plan approved by the Board on 29 June 2016	Achieved	None	n/a
	2.4.4	Special Economic Zone sites	New target	Identification of two sites for Special Economic Zones by 30 June 2016	Two sites identified	Achieved	None	n/a
	2.4.5	Special Economic Zones Business Proposal	New target	Package business proposal by 30 June 2016	Business proposal in place	Achieved	None	n/a

**KEY PERFORMANCE AREA no. 2**

**LOCAL ECONOMIC DEVELOPMENT**

<b>Strategic Objective</b>	<b>KPI no.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2014/15</b>	<b>Planned Target 2015/16</b>	<b>Actual Achievement 2015/16</b>	<b>Rating</b>	<b>Reasons for Deviation</b>	<b>Corrective Measures for Deviation</b>
<b>To develop world class infrastructure that promotes economic development</b>	2.5.1	Mkhuze Airport Sign agreement with airline operator	Negotiations with airline operators for scheduled flights initiated	Sign agreement with airline operator by 30 June 2016	Agreement signed	Achieved	None	n/a
	2.5.2	Mkhuze Airport Prepare PDA Application	PDA application requirements initiated	Prepare PDA Application by 30 June 2016	PDA Application forms completed	Achieved	None	n/a
	2.5.3	Mkhuze Airport Submit EIA for comments	EIA process initiated	Submit EIA for comments by 30 June 2016	EIA submitted for public comments	Achieved	None	n/a
	2.5.4	Mkhuze Airport Business Plan approved by Board	Draft Business Plan in place	Board approved Business Plan by 30 June 2016	Business Plan approved by Board on 29 June 2016	Achieved	None	n/a

**KEY PERFORMANCE AREA no. 2**  
**LOCAL ECONOMIC DEVELOPMENT**

<b>Strategic Objective</b>	<b>KPI no.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2014/15</b>	<b>Planned Target 2015/16</b>	<b>Actual Achievement 2015/16</b>	<b>Rating</b>	<b>Reasons for Deviation</b>	<b>Corrective Measures for Deviation</b>
To develop world class catalytic infrastructure that promotes economic development	2.5.5	District Broadband Rollout	New target	Feasibility Study	Feasibility Report	Achieved	None	n/a
	2.5.6	Jozini Hydro	Business Proposal prepared	Appointment of implementing company	Appointment made	Achieved	None	n/a

### KEY PERFORMANCE AREA no. 3

#### INSTITUTIONAL DEVELOPMENT

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Rating	Reasons for Deviation	Corrective Measures for Deviation
To implement a performance management system	3.1	Employee Performance Management	Performance Management Policy approved by Board	2 written performance reviews for all employees	2 performance reviews conducted	Achieved	None	n/a
To improve the capacity of staff for service delivery	3.2	Employee skills audit	New target	Skills audit report of all employees	Skills audit conducted	Achieved	None	n/a

**KEY PERFORMANCE AREA no. 4**

**FINANCIAL VIABILITY AND MANAGEMENT**

<b>Strategic Objective</b>	<b>KPI no.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2014/15</b>	<b>Planned Target 2015/16</b>	<b>Actual Achievement 2015/16</b>	<b>Rating</b>	<b>Reasons for Deviation</b>	<b>Corrective Measures for Deviation</b>
<b>Sound financial planning and reporting</b>	4.1.1	Adoption of draft annual report adopted by Board	Draft Annual Report adopted	Draft Annual Report adopted by the Board by 31 August 2015	Draft Annual report adopted	Achieved	None	n/a
	4.1.2	Annual Report adopted by Board	Annual Report adopted by Board	Annual Report adopted by Board by 20 Jan. 2016	Annual Report adopted by Board	Achieved	None	n/a
	4.2.1	Adjusted Budget approved by Board	Adjusted Budget approved by Board	Adjusted Budget approved by Board by 20 Jan. 2016	Adj. Budget approved by Board	Achieved	None	n/a
	4.2.2	Draft Budget approved by Board	Draft Budget approved by Board	Draft Budget approved by Board by 20 Jan. 2016	Draft Budget approved by Board	Achieved	None	n/a
	4.2.3	Budget approved by Board	2015/16 Budget approved by Board	2016/17 Budget approved by Board by 30 May 2016	2016/17 Budget approved by Board	Achieved	None	n/a

**KEY PERFORMANCE AREA no. 4**  
**FINANCIAL VIABILITY AND MANAGEMENT**

<b>Strategic Objective</b>	<b>KPI no.</b>	<b>Performance Indicator</b>	<b>Actual Achievement 2014/15</b>	<b>Planned Target 2015/16</b>	<b>Actual Achievement 2015/16</b>	<b>Rating</b>	<b>Reasons for Deviation</b>	<b>Corrective Measures for Deviation</b>
<b>Sound financial planning and reporting</b>	4.3.1	S87(11) Reports	S87 (11) Reports submitted to MM	12 S87(11) Reports submitted to MM by 30 June 2016	12 S87(11) Reports submitted to MM	Achieved	None	n/a
	4.3.2	Prepare Interim AFS	Interim AFS submitted to the Board	Interim AFS submitted to the board by 20 Jan. 2016	Interim AFS submitted to the Board	Achieved	None	n/a
	4.3.3	Preparation of MFMA S88 Reports	MFMA S88 Reports submitted to the Board and UKDM	Midterm budget and performance assessment reports submitted to the Board and UKDM by 20 Jan. 2016	Midterm assessment reports submitted to the Board	Achieved	None	n/a
	4.3.4	Preparation of MFMA S122 Statements	2013/14 AFS submitted to AG	2014/15 AFS submitted to AG by 31 August 2015	2014/15 AFS submitted to AG	Achieved	None	n/a

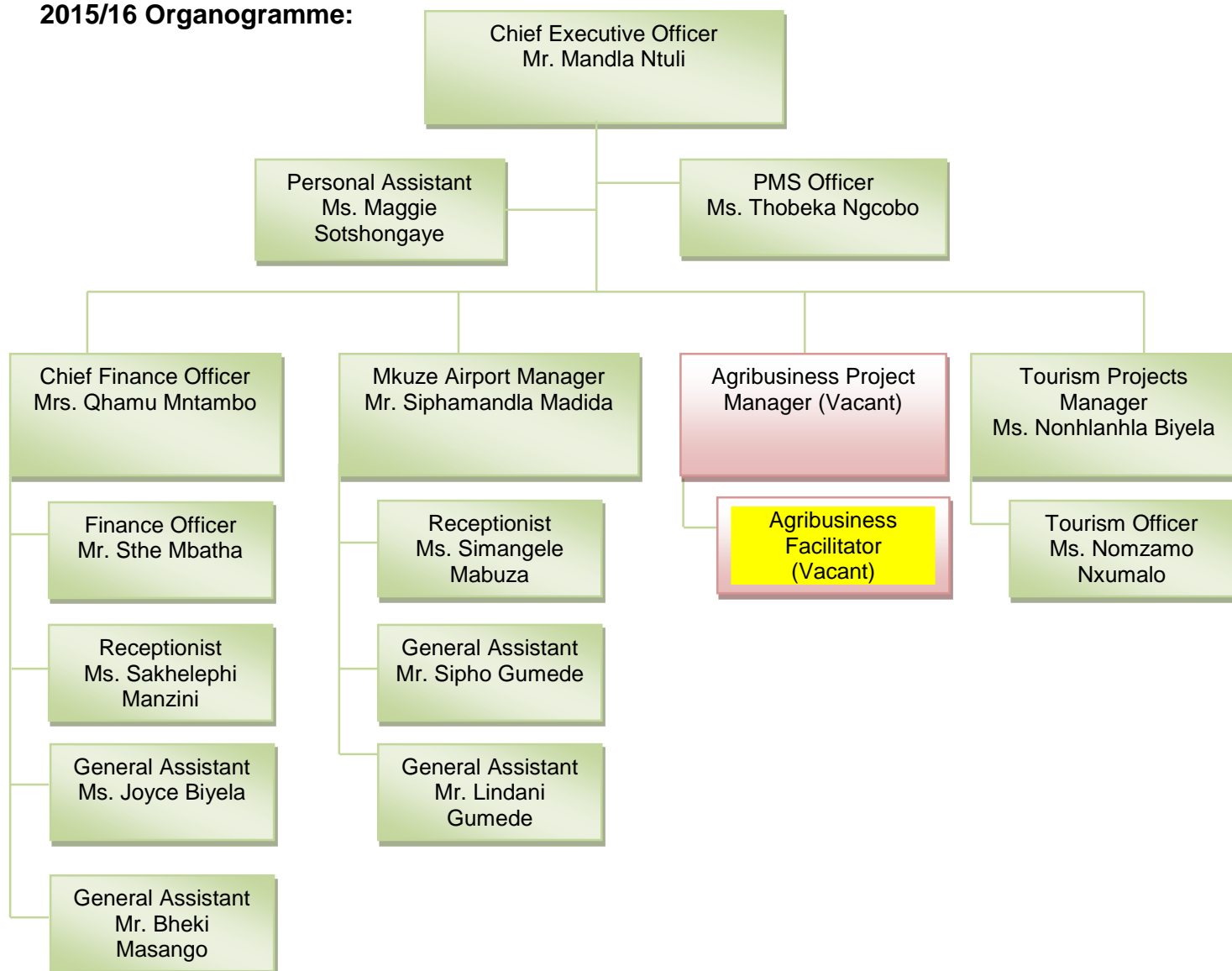
## **CHAPTER 4:**

### **ORGANISATIONAL DEVELOPMENT**

#### **PERFORMANCE**

## SECTION A: INTRODUCTION TO THE PERSONNEL

### 2015/16 Organogramme:





#### 4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Description	2014/15			2015/16		
	Approved Posts	Filled	Vacancies	Approved Posts	Filled	Vacancies
Executive Managers	0	0	0	0	0	0
Senior Managers	1	0	1	0	0	0
Project Managers	0	0	0	1	0	0
Officers/Admin/Coordinators	1	1	0	0	0	0
Receptionist	0	0	0	0	0	0
General workers	0	0	0	0	0	0
<b>Total</b>	<b>4</b>	<b>1</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>0</b>

#### TURN-OVER RATE

Details	Total appointment as of beginning of financial year No.	Terminations durations during the Financial Year No.	Turn-over Rate.
2014/15	4	4	
2015/16	0	1	

## SECTION B: MANAGING THE MUNICIPAL ENTITY EMPLOYEE WORKFORCE

### 4.2 POLICIES

The table overleaf provides a summary of the HR policies:

HR Policies and Plans				
No.	Policy	Completed %	Date Reviewed	Date approved
1	Human Resources Policy	100%	28.06.16	29.06.16
2	Training and Development Policy	100%		
3	Performance Management Policy	100%		
4	Leave Policy	100%		

- ✓ All policies were adopted by the previous board. To be reviewed in the new financial year by the Audit Committee and are approved by the Board

### 4.3 EMPLOYMENT EQUITY

The organisation implements a vibrant employment equity policy. To ensure the highest standard of compliance with the employment equity act and the Board of Directors also provide regular input to the strategies and initiatives regarding EE and its implementation in the organisation.

The Employment Equity Statistics are sourced to provide progress and provide direction regarding progress in the implementation of the employment equity plan.

## Employment Equity Demographics Status for 2015/16

### Staff Movement

Staff Movements	African		Coloured		Indian		White		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Appointments	-	-	-	-	-	-	-	-	0
Resignations	1	-	-	-	-	-	-	-	1
Dismissals	-	-	-	-	-	-	-	-	-
Retirement	-	-	-	-	-	-	-	-	-
Absenteeism	-	-	-	-	-	-	-	-	-
Termination	-	-	-	-	-	-	-	-	-
<b>Total</b>	1	0	0	0	0	0	0	0	1

### Employment Equity Status

(Demographics) 2015/16

LEVELS	African		Coloured		Indian		White		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
<b>Executive</b>	1	1	-	-	-	-	-	-	2
<b>Senior Managers</b>	-	-	-	-	-	-	-	-	1
<b>Project Managers</b>	1	1	-	-	-	-	-	-	2
<b>Officers/Co-coordinators</b>	2	3	-	-	-	-	-	-	5
<b>Receptionist</b>	-	2	-	-	-	-	-	-	2
<b>General workers</b>	3	1	-	-	-	-	-	-	4
<b>Total</b>	7	8	-	-	-	-	-	-	15
<b>% of Total</b>	47%	53%	0%	0%	0%	0%	0%	0%	100%

## Management Level Demographics

Levels	Total	African		Coloured		Indians		White	
		Male	Female	Male	Female	Male	Female	Male	Female
<b>Executive</b>	2	1	1	-	-	-	-	-	-
<b>Management</b>	2	1	1	-	-	-	-	-	-
<b>Total</b>	4	2	2	-	-	-	-	-	-
<b>%of Total</b>	100%	50%	50%	0	0	0	0	0	-

## Staff Turnover

Total Staff	15
Movement (excl. appointment)	1

The UMDA has 100% Black employees, which exceeds the target of 80% provided in the Employment Equity Plan; 53% of which are female and of that 53%; 50% is in Senior Management.

## Employee Pension Fund

The UMDA's employees have been registered as members of Bokamoso Pension Fund.

Other benefits provided to UMDA's employees are:

- Medical Aid offered by Bonitas,
- Travel allowance and
- Telephone allowance.

## Performance Management and Bonus System

The performance management system (PMS) is designed to ensure that the UMDA's business strategy is translated into measurable key performance areas and indicators (KPAs and KPIs) for employees. The UMDA's performance management is guided by the principals outlined in the Framework for Managing Programme Performance Information provided by the National Treasury as published in May 2007. During the year under review the UMDA developed a Performance Management Policy which was adopted by the Board.

## SECTION C: CAPACITATING THE MUNICIPAL ENTITY WORKFORCE

The UMDA continues to train employees in various methods in an effort to capacitate them and ensure that they are able to perform their respective duties. Methods which have been used to capacitate employees are:

- On-the-job training;
- Workshops;
- Trainings; and
- Formal education

The following trainings and workshops have been attended:

<b>Employee</b>	<b>Capacity building training/workshop</b>
<b>Board of Directors</b>	<ul style="list-style-type: none"><li>• Governance Workshop</li></ul>
<b>Chief Executive Officer</b>	<ul style="list-style-type: none"><li>• International Leadership Programme</li></ul>
<b>PMS Officer</b>	<ul style="list-style-type: none"><li>• Governance Workshop</li><li>• Red Tape Reduction Workshop</li></ul>
<b>Agribusiness Facilitator</b>	<ul style="list-style-type: none"><li>• Agro-processing Workshop</li></ul>
<b>Tourism Manager</b>	<ul style="list-style-type: none"><li>• KZN Tourism Master Plan</li></ul>
<b>Finance Officer</b>	<ul style="list-style-type: none"><li>• Municipal Standard Charts of Accounts</li></ul>

## SECTION D: MANAGING THE WORKFORCE EXPENDITURE

Employee expenditure during the 2015/16 financial year was at 21% of the total budget. This is in line with the 35% regulation on employee cost by National Treasury; Budget Regulations.

## **Chapter 5:**

### **FINACIAL PERFORMANCE**

**Umhlosinga Development Agency (Proprietary) Limited**

(Registration No. 2004/016608/07)

**Annual Financial Statements**

**for the year ended 30 June 2016**

# Umhlosinga Development Agency (Proprietary) Limited

(Registration No. 2004/016608/07)

Annual Financial Statements for the year ended 30 June 2016

## General Information

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Country of Incorporation and domicile	Republic of South Africa
Nature of business and principle activities	Local economic development to facilitate the implementation of economic catalytic projects including the promotion of investments in the district.
Board of Directors	RP Tembe (Chairperson) SL Gumbi (Deputy Chairperson) ZJ Ndwandwe (Member) S Nyawo (Member) MW Thango (Member)
Chief Executive Officer	Mr M Ntuli (B.Proc. Uni.KZN)
Chief Financial Officer	Mr SQ Mntambo ( Bcom Acc, AIMFO,MFMP)
Registered office	21 Klebe Street Mkhuze KwaZulu Natal 3965
Business address	Lot 308 Ebony Crescent Mtubatuba 3935
Postal address	PO Box 367 St Lucia 3936
Bankers	Nedbank Limited
Auditors	Auditor-General of South Africa
Audit Committee	Bhekokwakhe Menyuka (Chairperson) Vusi Tembe Simangaliso Vilakazi
Company secretary	Vacant [Chief Financial Officer is performing the duties of a company secretary]



# **Umhlosinga Development Agency (Proprietary) Limited**

(Registration No. 2004/016608/07)

**Annual Financial Statements for the year ended 30 June 2016**

## **Index**

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The reports and statements set out below comprise the annual financial statements presented to the parent entity:

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Statement of Responsibility and Approval by Board of Directors

Auditor General  
Report

Chief Executive Officer's Report

Directors Report

Company Secretary's Certification

Statement of Financial Position

Statement of Financial Performance

Statement of Changes in Net Assets

Cash Flow Statement

Statement of Comparison of Budget and Actual Amounts

Accounting Policies

Notes to the Annual Financial Statements

## **Umhlosinga Development Agency (Proprietary) Limited**

(Registration No. 2004/016608/07)

Annual Financial Statements for the year ended 30 June 2016

### **Directors Responsibilities and Approval**

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In terms of Generally Recognised Accounting Practice (GRAP) and the South African Companies Act No 71 of 2008, the directors are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with GRAP. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the Standards of GRAP and are based on appropriate accounting policies which have been consistently applied in previous years and are supported by reasonable, prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, they set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. These standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors have reviewed the company's cash flow forecast for the year to 30 June 2017. In the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 59 to 60.

The annual financial statements set out on pages 59 to 122 have been prepared on the going concern basis and were approved by the Board of Directors and the Chief Executive Officer on 26 August 2016 and were signed on their behalf by:

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Director

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Director

## **Umhlosinga Development Agency (Proprietary) Limited**

(Registration No. 2004/016608/07)

Annual Financial Statements for the year ended 30 June 2016

### **Chief Executive Officer's Report**

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**To the Board of Directors of UMhlosinga Development Agency (Proprietary) Limited**

I am responsible for the preparation of the annual financial statements which are set out on pages 55 to 123 in terms of section 126 (2) of the Municipal Finance Management Act No. 56 of 2003 which I have signed on behalf of the municipal entity.



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Accounting Officer  
MM Ntuli (B Proc)

31 August 2016

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Date

# Umhlosinga Development Agency (Proprietary) Limited

(Registration No. 2004/016608/07)

Annual Financial Statements for the year ended 30 June 2016

## Director's Report

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The board of directors has pleasure in presenting their report for the year ended 30 June 2016.

### 1 Incorporation

The company was incorporated on and received its certificate to commence business on 17 June 2004.

The company was originally incorporated under the name of Maxitrade 42 General Trading (Proprietary) Limited and changed its name on 04 July 2006 to uMhlosinga Development Agency (Proprietary) Limited. It remained dormant until 01 January 2008 when the establishment phase commenced.

### 2 Review of activities

The company acts as an agent for and on behalf of uMkhanyakude District Municipality for the purpose of soliciting and implementing economic development activities and all the business allied thereto in order to ensure the development of the uMkhanyakude District Municipality and its surrounding areas.

The net surplus of the company for the year under review as disclosed in the Statement of Financial Performance was 1 322 541.

### 3 Going concern concept

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the shareholder will continue to meet obligations in terms of operating expenditure.

### 4 Share capital

Authorised

	2016	2015
The authorised share capital is comprises :		
1000 Ordinary shares of R1 each	1 000	1 000

Issued

The issued share capital is comprises :		
100 Ordinary shares of R1 each	100	100

## **5 Directorate**

The board of directors are as follows as at 30 June 2016:

	Date of appointment
RP Tembe	26-Mar-13
SL Gumbi	26-Mar-13
ZJ Ndwandwe	26-Mar-13
S Nyawo	26-Mar-13
MW Thango	26-Mar-13

## **6 Holding municipality**

UMkhanyakude District Municipality is the company's parent holding municipality.

## **7 Auditors**

In accordance with section 4 (1) (e) of the Public Audit Act No. 25 of 2004, the Auditor-General of South Africa are the auditors of the company.

## **Umhlosinga Development Agency (Proprietary) Limited**

(Registration No. 2004/016608/07)

**Annual Financial Statements for the year ended 30 June 2016**

### **Company Secretary's Certification**

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Declaration by the company secretary in respect of Section 88(2) (e) of the Companies Act.

The company secretary resigned with effect from 30 April 2014 and the board of directors are in the process of appointing a replacement. The board took a decision that the duties of company secretary shall be performed by chief financial officer until 30 June 2016 and the company secretary will be employed during the next financial year.

# Umhlosinga Development Agency (Proprietary) Limited

(Registration No. 2004/016608/07)

Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Position as at 30 June 2016

	Note(s)	2016 R	2015 R Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Trade and other receivables from exchange transactions	3	7 348 486	8 318 418
Trade and other receivables from non-exchange transactions	4 5	5 030 158	5 030 158
Cash and cash equivalents		5 208 269	1 108 318
VAT Receivable	6	513 725	301 906
		<b>18 100 638</b>	<b>14 758 800</b>
<b>Non-Current Assets</b>			
Property plant and equipment	7	617 292	457 965
		<b>617 292</b>	<b>457 965</b>
<b>Total Assets</b>		<b>18 717 930</b>	<b>15 216 765</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables from exchange transactions	8	5 540 418	7 685 007
Unspent conditional grants and receipts	9	10 283 437	6 158 037
Provisions	10	183 065	135 800
		<b>16 006 919</b>	<b>13 978 844</b>
<b>Total Liabilities</b>		<b>16 006 919</b>	<b>13 978 844</b>
Total Assets		18 717 930	15 216 765
Total Liabilities		(16 006 919)	(13 978 844)
<b>Net Assets</b>		<b>2 711 010</b>	<b>1 237 920</b>
Ordinary Shares		100	100
Accumulated surplus		2 710 910	1 237 820

# Umhlosinga Development Agency (Proprietary) Limited

(Registration No. 2004/016608/07)

Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Performance

	Note(s)	2016 R	2015 R Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Interest earned - external investments	11	108 820	50 112
Rental of land and building	33	136 842	-
Other income	12	174 873	78 155
<b>Total revenue from exchange transactions</b>		<b>420 535</b>	<b>128 267</b>
<b>Revenue from non-exchange transactions</b>			
Government grants & subsidies	13	26 200 177	12 337 197
<b>Total revenue from non-exchange transactions</b>		<b>26 200 177</b>	<b>12 337 197</b>
<b>Total revenue</b>		<b>26 620 712</b>	<b>12 465 464</b>
<b>Expenditure</b>			
Bad debts		-	41 448
Depreciation expense	7	167 597	172 201
Employee related costs	14	5 384 325	4 838 239
Repairs and maintenance	15	3 363	48 046
Contracted services	16	17 539 891	8 014 245
Grants and subsidies paid	17	767 910	364 499
General expenses	18	1 114 076	2 995 252
Finance costs	19	126 425	135 315
<b>Total expenditure</b>		<b>(25 103 587)</b>	<b>(16 609 245)</b>
<b>Operating surplus / (Deficit) for the period before tax</b>		<b>1 517 125</b>	<b>(4 143 781)</b>
Taxation		(44 035)	-
<b>Surplus / (Deficit) for the period</b>		<b>1 473 090</b>	<b>(4 143 781)</b>



# Umhlosinga Development Agency (Proprietary) Limited

(Registration No. 2004/016608/07)

Annual Financial Statements for the year ended 30 June 2016

## Statement of Changes in Net Assets

	Notes	Ordinary Shares	Accumulated surplus / (deficit)	Total Net Assets
Opening balance as previously reported	32	100	6 081 518	6 081 618
Adjustments				
Correction of prior period errors	30	-	(699 917)	(699 917)
<b>Balance at 01 July 2014 as Restated*</b>		<b>100</b>	<b>5 381 601</b>	<b>5 381 701</b>
Changes in net assets				
Deficit for the year		-	(4 143 781)	(4 143 781)
Total changes		-	(4 143 781)	(4 143 781)
<b>Balance at 30 June 2015</b>		<b>100</b>	<b>1 237 820</b>	<b>1 237 920</b>
Changes in net assets				
Surplus for the year		-	1 473 090	1 473 090
Total changes		-	1 473 090	1 473 090
<b>Balance at 30 June 2016</b>		<b>100</b>	<b>2 710 910</b>	<b>2 711 010</b>

# Umhlosinga Development Agency (Proprietary) Limited

(Registration No. 2004/016608/07)

Annual Financial Statements for the year ended 30 June 2016

## Cash Flow Statement

	Note(s)	2016 R	2015 R Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from consumers and other		932 986	(8 825 754)
Rental of land and building	33	136 842	-
Interest income	12	108 820	50 112
Grants	13	26 200 177	12 337 197
		<u>27 378 825</u>	<u>3 561 555</u>
<b>Payments</b>			
Employee costs	14	(5 384 325)	(4 838 239)
Suppliers		(17 441 200)	(458 018)
Income tax paid		-	(680 582)
Finance costs		(126 425)	(135 315)
		<u>(22 951 950)</u>	<u>(6 112 154)</u>
<b>Net cash flows from operating activities</b>	<b>20</b>	<b><u>4 426 875</u></b>	<b><u>(2 550 599)</u></b>
<b>Cash flows from investing activities</b>			
Payment for property plant and equipment		(326 924)	(57 669)
<b>Net cash flows from investing activities</b>		<b><u>(326 924)</u></b>	<b><u>(57 669)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4 099 951</b>	<b>(2 608 268)</b>
Cash and cash equivalents at the beginning of the year	5	1 108 319	3 716 587
<b>Cash and cash equivalents at the end of the year</b>		<b><u>5 208 270</u></b>	<b><u>1 108 319</u></b>

# Umhlosinga Development Agency (Proprietary) Limited

(Registration No. 2004/016608/07)

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Grants</b>						
DOE	24 747 352	(4 228 671)	20 518 681	21 864 577	1 345 896	IS 1
COGTA	4 752 000	(3 100 000)	1 652 000	889 638	(762 362)	IS 2
DC 27	3 000 000	-	3 000 000	3 000 000	-	IS 3
EDTEA		5 461 000	5 461 000	445 963	(5 015 037)	IS 4
<b>Other Income</b>						
Interest on investment	73 670	-	73 670	108 820	35 150	IS 5
Landing Fees	34 183	101 691	135 874	118 948	(16 926)	IS 6
Other Income	20 000	24 433	44 433	55 924	11 491	IS 7
	32 627 205	(1 741 547)	30 885 658	26 483 870	(4 401 788)	
<b>Expenditure</b>						
Employee related costs	5 089 075	368 457	5 457 532	5 384 325	73 207	IS 8
Depreciation and amortisation expense	-	150 000	150 000	167 597	(17 597)	IS 9
Repairs and maintenance	-	2 500	2 500	3 363	(863)	IS 10
Contracted services	22 272 617	(4 859 236)	17 413 381	17 539 891	(126 510)	IS 11
Grants and subsidies paid	4 320 000	1 814 900	6 134 900	767 910	5 366 990	IS 12
General expenses	927 660	246 951	1 174 611	1 114 076	60 535	IS 13
Finance costs	-	14 788	14 788	126 425	(111 637)	IS 14
	32 609 352	(2 261 640)	30 347 712	25 103 587	5 244 125	

## Umhloosinga Development Agency (Proprietary) Limited

(Registration No. 2004/016608/07)

Annual Financial Statements for the year ended 30 June 2016

### Statement of Comparison of Budget and Actual Amounts

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#### Budget and Actual amount variances

Reference	Reason for variance
IS 1	Delivery to schools exceeded the planned one.
IS 2	UMDA had an issue with land acquisition and non-responsive service provider during competitive bidding.
IS 3	We communicated with the parent municipality with cash flow status but no good response. Funding not received from the district municipality despite numerous communication in this regard.
IS 4	The grant was received towards the end of the financial year, hence less spending during the year.
IS 5	Interest earned from the investment of the EDTEA grant which was not used immediately.
IS 6	No landing that took place.
IS 7	Increase was in respect of insurance refunds.
IS 8	Normal increase.
IS 9	Due to increase in Property, plant and equipment.
IS 10	Normal increase.
IS 11	Paid in line with the amount of work done.
IS 12	EDTEA grant was received towards the end of the financial year.
IS 13	Normal increase.
IS 14	Interest on overdue account for SARS and Auditor General accounts.

## **Umhlosinga Development Agency (Proprietary) Limited**

(Registration No. 2004/016608/07)

Annual Financial Statements for the year ended 30 June 2016

### **Accounting Policies**

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#### **1. Presentation of annual financial statements**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act No. 56 of 2003 and the requirements of the Companies Act No.71 of 2008.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand and the figures in the statements have been rounded to the nearest rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

A summary of the significant accounting policies, which have been consistently applied, to all the years, in the preparation of these interim financial statements, are disclosed below.

#### **1.1 Significant judgements and sources of estimation uncertainty**

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

### **1.1.1 Provisions**

Management determined an estimate for provisions raised based on the information available. Additional disclosure of these estimates of provisions is included in note 10.

### **1.1.2 Useful lives of property, plant, equipment**

As described in accounting policies 1.6 the agency depreciates its property, plant and equipment over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets become available for use. The useful lives and residual values of the assets are based on industry knowledge and are reviewed annually.

### **1.1.3 Revenue recognition**

Accounting policy 1.9 on Revenue from Exchange Transactions and accounting policy 1.10 on Revenue from Non - Exchange Transactions describes the conditions under which revenue is recorded by the management of the agency.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 Revenue from Exchange Transactions and GRAP 23 Revenue from Non Exchange Transactions and in particular, whether the service has been rendered. The management of the agency is satisfied that recognition of the revenue in the current year is appropriate.

### **1.1.4 Financial assets and liabilities**

The classification of financial assets and liabilities, into categories, is based on management's educated judgemental.

### **1.1.5 Income tax**

As a registered company the agency is registered for income tax. However due to the entity being a municipal entity it is exempt from income tax.

## **Umhlosinga Development Agency (Proprietary) Limited**

(Registration No. 2004/016608/07)

Annual Financial Statements for the year ended 30 June 2016

### **Accounting Policies**

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#### **1.1.6 Effective interest rate**

The entity uses an appropriate interest rate, taking into account guidance provided in the standards, and applying professional judgement to the specific circumstances, to discount future cash flows. The entity used the following in arriving at the effective interest rate used:

Nedbank Limited which yields monthly interest at a monthly rate of 5.25% per annum.

#### **1.2 New standards and interpretations**

Changes in accounting policies that are effected by management are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of a change in policy. In such cases, the agency shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

##### **The following new GRAP standards have been issued but are not yet effective**

GRAP 20 - Related party disclosure

This standard of GRAP on related parties replaces the IPSAS 20 standard on related party disclosure. No significant impact on the financial statements of the agency is expected.

GRAP 32 - Service concession arrangements: Grantor

This standard of GRAP is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity. A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time and the operator is compensated for its services over the period of the service concession arrangement. Although unlikely at this stage, the standard is only expected to have an impact on the agency in the event of any future arrangements of this nature.

#### GRAP 108 - Statutory receivables

This standard deals with the prescribed accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables and the effect thereof.

#### GRAP 109 - Accounting by principals and agents

This standard deals with the prescribed accounting requirements for transactions in a principal and agent relationship.

#### **The following approved standards of GRAP that entities are not required to apply**

##### GRAP 18 - Segmental reporting (municipal entities are not required to apply)

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the agency's historical performance and to identify the resources allocated to support the major activities of the agency.

### **1.3 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.



# Umhlosinga Development Agency (Proprietary) Limited

(Registration No. 2004/016608/07)

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

---

### 1.3 Financial instruments (Continued)

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the agency have transferred its right to receive cash flows from the asset. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability. Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- > cash;
- > a contractual right to:

# Umhlosinga Development Agency (Proprietary) Limited

(Registration No. 2004/016608/07)

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.3 Financial instruments (Continued)

- receive cash or another financial asset from another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that arises from a contractual obligation to:

- > deliver cash or another financial asset to another entity; or
- > exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- > equity instruments or similar forms of unitised capital;
- > a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- > a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- > the entity designates at fair value at initial recognition; or
- > are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

> combined instruments that are designated at fair value.

### **Classification**

The agency has the following types of financial assets (classes and category) as reflected on the Statement of Financial Position or in the notes thereto:

#### **Class**

Cash and cash  
equivalents

Accounts receivable from exchange transactions

Accounts receivable from non-exchange transactions

Short term investment deposits

Investment in fixed  
deposits

#### **Category**

Financial asset measured at amortised cost

Financial asset measured at amortised cost

Financial asset measured at amortised cost

Financial asset measured at amortised cost

Financial asset measured at amortised cost

## Umhlosinga Development Agency (Proprietary) Limited

(Registration No. 2004/016608/07)

Annual Financial Statements for the year ended 30 June 2016

### Accounting Policies

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#### 1.3 Financial instruments (Continued)

The agency has the following types of financial liabilities (classes and category) as reflected on the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grant	Financial liability measured at amortised cost

#### Initial measurement of financial assets and financial liabilities

The agency measures a financial asset and financial liability initially at its fair value that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs are added to financial instruments carried at amortised cost or cost.

#### Subsequent measurement of financial assets and financial liabilities

The agency measures all financial assets and financial liabilities after initial recognition using the following category:

- > Financial instruments at amortised cost.

#### Impairment and uncollectibility of financial assets

The agency assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting the allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

#### **1.4 Employee benefits**

##### **Short-term employee benefits**

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

## **Umhlosinga Development Agency (Proprietary) Limited**

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Annual Financial Statements for the year ended 30 June 2016

### **Accounting Policies**

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#### **1.4 Employee benefits (Continued)**

##### **Post-employment benefits**

The entity provides post-employment benefits for its officials. These benefits are provided as either defined contribution plans or defined benefit plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

##### **Defined contribution plans**

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

##### **Defined benefit plans**

Pursuant to the entity's obligation to fund the post-employment benefits provided through a defined benefit plan, the entity recognises a defined benefit obligation or asset with reference to the fund's financial position. To the extent that the future benefits payable under the fund exceeds the value assets held to finance those benefits, the entity recognises as defined benefit obligation. To the extent that the value of plan assets exceeds the future benefits payable by the fund the entity recognises as defined benefit asset. Plan assets are assets that are held by long-term employee benefit funds or qualifying insurance policies. Plan assets are not available to the creditors of the entity nor can they be paid directly to the entity.

The plan liabilities are measured at the present value of the future benefits payable. This present value of the plan liabilities is determined through actuarial valuation techniques.

Actuarial valuations are conducted on an annual basis by independent actuaries for each plan.

The past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognised immediately.

## 1.5 Provisions

Provisions are recognised when:

- > the agency has a present legal and constructive obligation as a result of a past event;
- > it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- > a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate of future outflow of resources. Provisions are derecognised if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

The liability for leave pay is based on the total accrued leave days at year end and is shown as a provision in the Statement of Financial Position.



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### Accounting Policies

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#### 1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for administrative purposes, and are expected to be used during more than one financial period.

##### *Initial recognition*

The cost of an item of property, plant and equipment is recognised as an asset when:

- > it is probable that future economic benefits or service potential associated with the item will flow to the agency; and
- > the cost of the item can be measured reliably.

Property, plant and equipment is initially recognised at cost on its acquisition date or in the case of assets acquired at nil or nominal consideration the deemed cost, being the fair value of the assets at acquisition date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the agency. Trade discounts and rebates are deducted in arriving at the cost.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment for purposes of depreciation.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service the asset are recognised in the carrying amount of the related asset if the recognition criteria are met. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the agency.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

#### *Subsequent measurement*

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic fair value of the subsequent expenditure can be reliably measured.

Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity for future economic benefits associated with the asset.

Where the agency replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

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### Accounting Policies

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#### 1.6 Property, plant and equipment (Continued)

Subsequent measurement of all property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses. The agency does not recognise in the carrying amount of an item of property, plant and equipment the cost of day to day servicing of the item.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when compensation becomes receivable.

##### *Depreciation*

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the agency. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation Method	Average useful life
<i>Motor Vehicle</i>	Straight line	<i>5 years</i>
<i>Office Equipment</i>	Straight line	<i>5 years</i>
<i>Furniture &amp; Fittings</i>	Straight line	<i>5 years</i>
<i>Computer Equipment</i>	Straight line	<i>5 years</i>
<i>Plant, Machinery &amp; Agricultural Equipment</i>	Straight line	<i>6 years</i>

#### *Derecognition of property, plant and equipment*

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition is included in surplus or deficit when the item is derecognised.

Gains or losses, calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds, are included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

## **1.7 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

## **Umhlosinga Development Agency (Proprietary) Limited**

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### **Accounting Policies**

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#### **1.7 Leases (Continued)**

##### **1.7.1 Finance leases - The agency as a lessee**

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the future minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the future minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of the remaining balance of the liability.

##### **1.7.2 Operating leases - The agency as a lessee**

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance on a straight line basis over the period of the lease.

#### **1.8 Taxation**

##### **Current tax**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities / (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date.

### **Deferred tax**

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rate that applies to the period when the asset is realised or liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the statement of financial date. Deferred tax assets are recognised to the extent that it is probable that taxable benefits will be available against which deductible temporary differences can be utilised on an annual basis.

### **Value added tax**

The entity accounts for Value Added Tax on the invoice basis.

## **1.9 Revenue from exchange transactions**

An exchange transaction is one in which the agency receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and rebates.

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### **Accounting Policies**

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#### **1.9 Revenue from exchange transactions (Continued)**

##### **Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- > the amount of revenue can be measured reliably; and
- > it is probable that the economic benefits or service potential associated with the transaction will flow to the agency; and
- > the stage of completion of the transaction at the reporting date can be measured reliably; and
- > the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

##### **Tender deposits**

Income from tender deposits are recognised as income when they are received.

##### **Finance income**

Finance income earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

## 1.10 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an agency, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the agency can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an agency either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting agency.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. Government grants are recognised as revenue when :

- > it is probable that the economic benefits or service potential associated with the transaction will flow to the agency;
- > the amount of the revenue can be measured reliably; and
- > to the extent that there has been compliance with any conditions associated with the grant.



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### **Accounting Policies**

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#### **1.10 Revenue from non-exchange transactions (Continued)**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the agency has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Revenue from public contributions is recognised when all conditions associated with the contribution has been met or where the contribution is to finance property plant and equipment, when such items are brought into use. Where public contributions have been received but the agency has not met the conditions, a liability is recognised.

#### **Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the agency.

When, as a result of a non-exchange transaction, the agency recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

### **1.11 Budget information**

Municipal entities are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by Municipal entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### **1.12 Unauthorised expenditure**

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, agency or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (No. 56 of 2003). All unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.13 Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

# Umhlosinga Development Agency (Proprietary) Limited

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## Accounting Policies

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### 1.14 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.15 Commitments

Items are classified as commitments where the agency commits itself to future transactions that will result in the future outflow of resources. Project commitments are not recognised in the statement of Financial Position as a liability but are included in the disclosure note 25, for approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.

### 1.16 Related parties

The agency operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the agency, including those charged with the governance of the agency in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the agency.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed. The agency applies GRAP 25 for related parties.

#### **1.17 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

#### **1.18 Contingent assets and contingent liabilities**

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

#### **1.19 Going concern assumption**

These annual financial statements have been prepared based on the expectation that the agency will continue to operate as a going concern for at least the next 12 months.

#### **1.20 Events after reporting date**

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- > those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- > those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The agency will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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### Accounting Policies

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#### 1.20 Events after reporting date (Continued)

The agency will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

#### 1.21 Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

### 2 New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The agency has not applied the following standards and interpretations, which have been published and are mandatory for the agency's accounting periods beginning on or after 01 July 2016 or later periods:

Standard/ Interpretation:	Years beginning on or after	Expected impact:
> GRAP 20: Related parties disclosures	No effective date has been determined by the Minister of Finance.	The standard will have significant impact as agency operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government - considered to be related parties.

> GRAP 32: Service Concession Arrangements: Grantor	No effective date has been determined by the Minister of Finance.	Although unlikely at this stage, the standard is only expected to have an impact on the agency in the event of any future such arrangements.
> GRAP 108: Statutory Receivables	No effective date has been determined by the Minister of Finance.	No impact is foreseeable currently.
> IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	No effective date has been determined by the Minister of Finance.	Although unlikely at this stage, the standard is only expected to have an impact on the agency in the event of any future such arrangements.
> GRAP 109: Accounting by Principals and Agents	No effective date has been determined by the Minister of Finance.	No significant impact is currently expected

# Umhloosinga Development Agency (Proprietary) Limited

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## Notes to the Annual Financial Statements

	2016	2015
	R	R
<b>3 Trade and other receivable from exchange transactions</b>		
<b>Gross balances</b>		
Department of Education	7 348 486	8 318 418
	<b>7 348 486</b>	<b>8 318 418</b>
<b>Provision for Doubtful Debts</b>		
Department of Education	-	-
	-	-
<b>Net Balance</b>		
Department of Education	7 348 486	8 318 418
	<b>7 348 486</b>	<b>8 318 418</b>
<b>Summary of Debtors by Customer Classification</b>		
<u>Department of Education</u>		
Current (0 – 30 days)	2 443 874	-
31 - 60 Days	2 460 461	1 542 369
61 - 90 Days	2 444 151	1 494 485
91 - 120 Days	-	910 279
121 + Days	-	4 371 285
Less: Allowance for impairment	-	-
	<b>7 348 486</b>	<b>8 318 418</b>

**4 Trade and other receivables from non-exchange transactions**

**Gross balances**

UMkhanyakude District Municipality

5 030 158  
**5 030 158**

5 030 158  
**5 030 158**

**Provision for Doubtful Debts**

UMkhanyakude District Municipality

-  
**-**

-  
**-**

**Net Balance**

UMkhanyakude District Municipality

5 030 158  
**5 030 158**

5 030 158  
**5 030 158**



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## Notes to the Annual Financial Statements

	2016	2015
	R	R
<b>4 Trade and other receivables from non-exchange transactions</b>		
<b>(Continued)</b>		
<b>Summary of Debtors by Customer Classification</b>		
<u>Umkhanyakude District Municipality</u>		
Current (0 – 30 days)	-	-
31 - 60 Days	-	325 000
61 - 90 Days	-	-
91 - 120 Days	-	-
121 + Days	5 030 158	4 705 158
Less: Allowance for impairment	-	-
	<b>5 030 158</b>	<b>5 030 158</b>
<b>5 Cash and cash equivalents</b>		
Cash and cash equivalents consist of the following:		
Cash on hand	961	1 001
Cash at bank	200 528	86 708
Call investments : 49865324 & 36990525	5 006 781	1 020 608
	<b>5 208 269</b>	<b>1 108 318</b>

The entity has the following bank accounts: -

	30 June 2016	30 June 2015	30 June 2014
<b>Bank statement balances</b>			
- Primary Bank : Richards Bay Account number 1029736839	200 528	86 708	124 532
- Investment call accounts Account number 49865324 & 36990525	5 006 781	1 020 608	3 589 496
	<b>5 207 308</b>	<b>1 107 317</b>	<b>3 714 028</b>

	30 June 2016	30 June 2015	30 June 2014
<b>Cash book balances</b>			
- Primary Bank : Richards Bay Account number 1029736839	200 528	86 708	124 532
- Investment call accounts Account number 49865324 & 36990525	5 006 781	1 020 608	3 589 496
	<b>5 207 308</b>	<b>1 107 317</b>	<b>3 714 028</b>

## 6 VAT Receivable

VAT Receivable	513 725	301 906
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VAT is payable on the invoices basis. VAT is paid over to SARS only once invoice is received from debtors.

# Umhlosinga Development Agency (Proprietary) Limited

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## Notes to the Annual Financial Statements

### 7 Property, plant and equipment

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Vehicles	414 618	(231 970)	182 648	414 618	(119 260)	295 358
Capital work in progress	325 790	-	325 790	-	-	-
Furniture and fittings	69 738	(26 698)	43 040	68 603	(11 025)	57 578
Plant, machinery and equipment	214 455	(148 655)	65 800	214 455	(112 905)	101 550
Computer equipment	10 779	(10 765)	15	10 779	(7 300)	3 479
	<b>1 035 380</b>	<b>(418 088)</b>	<b>617 292</b>	<b>708 455</b>	<b>(250 490)</b>	<b>457 965</b>

### Reconciliation of property, plant and equipment - 2016

	Carrying Value Opening Balance	Additions	Depreciation	Total
Vehicles	295 358	-	(112 710)	182 648
Capital work in progress	-	325 790	-	325 790
Furniture and fittings	57 577	1 134	(15 673)	43 038
Plant, machinery and equipment	101 550	-	(35 750)	65 801
Computer equipment	3 479	-	(3 464)	15
	<b>457 964</b>	<b>326 924</b>	<b>(167 597)</b>	<b>617 292</b>

## Umhloosinga Development Agency (Proprietary) Limited

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### Notes to the Annual Financial Statements

#### 7 Property, plant and equipment (Continued)

##### Reconciliation of property, plant and equipment - 2015

	Carrying Value Opening Balance	Additions	Depreciation	Total
Vehicles	414 618	-	(119 260)	295 358
Capital work in progress	-	-	-	-
Furniture and fittings	11 969	57 669	(12 061)	57 577
Plant, machinery and equipment	137 300	-	(35 750)	101 550
Computer equipment	8 609	-	(5 130)	3 479
	<b>572 496</b>	<b>57 669</b>	<b>(172 201)</b>	<b>457 965</b>

A register containing the information required by section 96 of the Municipal Finance Management Act (No. 56 of 2003) is available for inspection at the registered office of the entity.

No assets have been pledged as security nor have any restrictions been placed on any assets under the control of the entity.

Other information	2016 R	2015 R
Carrying value of idle property, plant and equipment	-	-
Fully depreciated property, plant and equipment still in use	108 589	112 536
Property, plant and equipment retired from active use, but not classified as held for sale	-	-
	<b>108 589</b>	<b>112 536</b>

The reassessment of useful life has been conducted, the above indicate the values of fully depreciated property, plant and equipment still in use however we left at nil balance as they might be no future use of those asset. The parent municipality has provided PPE to the carrying value of R 6 296.30 to be used by the entity.

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### Notes to the Annual Financial Statements

	2016	2015
	R	R
<b>8 Trade and other payables from exchange transactions</b>		
Trade creditors	5 496 383	7 685 007
Tax payable	44 035	-
	<b>5 540 418</b>	<b>7 685 007</b>
<b>9 Unspent conditional grants and receipts</b>		
<b>Unspent Conditional Grants from other spheres of Government</b>		
Other	10 283 437	6 158 037
	<b>10 283 437</b>	<b>6 158 037</b>
<b>10 Provisions</b>		
Opening Balance	135 800	99 788
Provisions Raised	47 265	36 012
Closing Balance	<b>183 065</b>	<b>135 800</b>
<b>11 Interest earned - external investments</b>		
Bank	<b>108 820</b>	<b>50 112</b>

<b>12 Other income</b>	<b>174 873</b>	<b>78 155</b>
<b>13 Government grants &amp; subsidies</b>		
<i>Reconciliation of Movement in Grant: Other Government Grants and Subsidies</i>		
Balance unspent at beginning of year	6 158 037	1 526 775
Current year receipts	30 325 577	16 968 459
Conditions met - transferred to revenue	(26 200 177)	(12 337 197)
Conditions still to be met - remain liabilities	<b>10 283 437</b>	<b>6 158 037</b>
<b>14 Employee related costs</b>		
Employee related costs - Salaries and Wages	2 402 245	2 245 935
Employee related costs - Contributions for UIF, pensions and medical aids	327 313	168 985
<b>Total</b>	<b>2 729 559</b>	<b>2 414 920</b>
<b>Remuneration of the Chief Executive Officer</b>		
Annual Remuneration	963 000	900 000
Travel, motor car, accommodation, subsistence and other allowances	321 000	316 200
Contributions to UIF, Medical and Pension Funds	239 445	155 737
<b>Total</b>	<b>1 523 445</b>	<b>1 371 937</b>

## Umhlosinga Development Agency (Proprietary) Limited

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### Notes to the Annual Financial Statements

	2016	2015
	R	R
<b>14 Employee related costs (Continued)</b>		
<b>Remuneration of the Chief Finance Officer</b>		
Annual Remuneration	722 250	506 250
Travel, motor car, accommodation, subsistence and other allowances	240 750	168 750
Contributions to UIF, Medical and Pension Funds	168 321	64 656
<b>Total</b>	<b>1 131 321</b>	<b>739 656</b>
<b>Directors Emoluments</b>		
Fees and travel costs as non-executive directors	108 331	311 726
<b>Total</b>	<b>108 331</b>	<b>311 726</b>
<b>15 Repairs and maintenance</b>		
Repairs and maintenance for the year	3 363	48 046
	<b>3 363</b>	<b>48 046</b>
<b>16 Contracted services</b>		
Contracted services for School nutrition programme	17 539 891	8 014 245
	<b>17 539 891</b>	<b>8 014 245</b>



**17 Grants and subsidies paid**

National Treasury International	-	162 865
MTN SA Foundation	-	201 634
Mkuze Regeneration Plan -COGTA	767 910	-
	<b>767 910</b>	<b>364 499</b>

**18 General expenses**

Advertising	10 784	33 781
Admin fees	23 277	37 104
Audit fees	637 976	601 079
Bank charges	15 372	12 151
Cleaning	3 951	4 961
Rental for land and building	136 842	-
Conferences and delegations	10 338	42 074
Consulting fees	-	282 845
Consumables	15 992	19 741
Entertainment	-	4 433
Fuel and oil	732	1 002
Insurance	37 612	35 734
Legal expenses	-	1 200
Postage	661	1 105
Printing and stationery	15 245	24 908
Professional fees	49 651	1 106 866

## Umhlosinga Development Agency (Proprietary) Limited

(Registration No. 2004/016608/07)

Annual Financial Statements for the year ended 30 June 2016

### Notes to the Annual Financial Statements

	2016	2015
	R	R
<b>18 General expenses (Continued)</b>		
Rental of office equipment	64 473	58 022
Rental of computer equipment	-	5 526
Security costs	4 942	201 869
Telephone cost	10 724	48 876
Training	-	18 659
Travel and subsistence - Local	70 638	305 586
Uniforms & overalls	-	1 894
Other	4 864	145 839
	<b>1 114 076</b>	<b>2 995 252</b>
<b>19 Finance Costs</b>		
Trade and other payable	126 425	135 315
	<b>126 425</b>	<b>135 315</b>

## 20 Cash generated from operations

Surplus / (deficit) for the year	1 473 090	(4 143 781)
<b>Adjustments for:</b>		
Depreciation	167 597	172 201
Movement in provision	47 265	36 012
<b>Operating surplus / (deficit) before changes in working capital:</b>	<b>1 687 952</b>	<b>(3 935 569)</b>
<b>Changes in working capital:</b>		
(Increase) / Decrease in trade and other receivables	969 932	(8 791 304)
(Increase) / Decrease in VAT receivable	(211 819)	(112 605)
Increase / (Decrease) in Tax Payable	44 035	(680 582)
Increase / (Decrease) in unspent conditional grants and receipts	4 125 399	4 406 220
Increase / Decrease in trade and other payables	(2 188 624)	6 563 240
	<b>4 426 875</b>	<b>(2 550 600)</b>

## 21 Related parties

### Related party relationship

UMhlosinga Development Agency is a subsidiary wholly owned by uMkhanyakude District Municipality to spearhead the local economic development within the district.

# Umhlosinga Development Agency (Proprietary) Limited

(Registration No. 2004/016608/07)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

		2016	2015
		R	R
21	<b>Related parties (Continued)</b>		
	<b>Related party transactions</b>		
	<i>Income received from related parties</i>		
	Grant received from Umkhanyakude District Municipality	3 000 000	3 300 000
	Approved budget	3 000 000	3 625 000
	<b>Related party balances</b>		
	<i>Balances outstanding from related parties</i>		
	Transfer outstanding from Umkhanyakude District Municipality	5 030 158	5 030 158
22	<b>Unauthorised, Fruitless and Wasteful and Irregular expenditure</b>		
	<b>Unauthorised expenditure</b>		
		-	-

### Fruitless and Wasteful expenditure

#### Reconciliation of fruitless and wasteful expenditure

Opening balance -	-	111 429
Fruitless and wasteful expenditure current year	126 425	132 146
Written off by Board		(243 575)
Fruitless and wasteful expenditure awaiting condonement	<b>126 425</b>	<b>-</b>

Fruitless and Wasteful expenditure relates to South African Revenue Services and Auditor General penalty, interest on overdue account due to late payments.

### Irregular expenditure

#### Reconciliation of irregular expenditure

Opening balance	7 509 148	3 098 231
Irregular expenditure current year	249 092	4 410 917
Written off by Board	(1 659 352)	-
Irregular expenditure awaiting condonement	<b>6 098 888</b>	<b>7 509 148</b>

Incident	Disciplinary steps / Criminal proceedings	Amount
Wings Like Eagles Trading expenditure paid not work done	Condoned by the board no further expenditure paid	52 435
Awards made to the persons in the service state	No further procurement be made to this suppliers	49 841
Expenditure incurred as result non-compliance with SCM (register available)	Still to be investigated	5 849 797
Royal Tembe Development Foundation paid for work not done	Contract terminated	131 346

# Umhlosinga Development Agency (Proprietary) Limited

(Registration No. 2004/016608/07)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
	R	R
<b>Irregular expenditure (Continued)</b>		
Nedbank credit card expenditure by previous CEO not supported	Card cancelled with the bank	103 603
Irregular expenditure due to expenditure incurred above the approved budget by the parent municipality	Condoned by the board	1 322 127
Expenditure incurred as result non-compliance with SCM which contract were running	Working on terminating contract	249 092
		<b>7 758 241</b>
<b>23 Taxation</b>		
Normal income tax	44 035	-
	<b>44 035</b>	<b>-</b>
<b>24 Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Audit fees</b>		
Opening balance	40 190	-
Current year audit fee	637 976	601 079
Amount paid - current year	(643 413)	(560 889)
Balance unpaid (included in payables)	<b>34 753</b>	<b>40 190</b>

The balance unpaid represents invoices for audit fees that were not sent to UMDA on time.

#### **PAYE and UIF**

Opening balance	116 818	248 898
Current year payroll deductions	977 843	819 006
Amount paid - current year	(267 296)	(702 188)
Amount paid - previous years	(116 818)	(248 898)
	<b>710 547</b>	<b>116 818</b>

The balance represents PAYE, SDL and UIF deducted from the 30 June 2015 payroll. These amounts were paid during 31 July 2015. The current expense was not paid over due to the delay on operational grant transfer from the parent municipality.

#### **Pension and Medical Aid Deductions**

Opening balance	-	-
Current year payroll deductions	1 313 969	791 019
Amount paid - current year	(1 313 969)	(791 019)
	-	-

## Umhlosinga Development Agency (Proprietary) Limited

(Registration No. 2004/016608/07)

Annual Financial Statements for the year ended 30 June 2016

### Notes to the Annual Financial Statements

	2016	2015
	R	R
<b>24 Additional disclosure in terms of Municipal Finance Management Act (Continued)</b>		
<b>Value added tax</b>		
Vat Receivable	538 822	276 809
VAT input receivables and VAT output payables are shown in note 6. All VAT returns have been submitted by the due date throughout the year.		
<b>Non-Compliance with Chapter 11 of the Municipal Finance Management Act</b>		
The entity has an approved a supply chain management policy all deviation are recorded on the deviation register. There was one major supplier (Inomusa Suppliers Trading Enterprise (PTY) Ltd) where a deviation was recorded for the transportation and procuring of vegetables and fruits for the schools nutrition programme.		
	14 998 954	6 531 242
<b>Material Losses</b>		
Non material losses were recorded.		
<b>25 Project commitments</b>		
<i>Commitments in respect of capital expenditure</i>		



Amounts budgeted and committed

Airport establishment	4 000 000	20 000 000
School nutrition project	22 000 000	22 000 000
King Zwelthini Royal Resort	-	2 000 000
Other	-	4 800 000
	<b>26 000 000</b>	<b>48 800 000</b>

This expenditure will be financed from:

Department of Economic Development, Tourism and Environmental Affairs	4 000 000	-
COGTA	-	4 800 000
DC 27	-	20 000 000
Department of Education	22 000 000	22 000 000
Industrial Development Corporation	-	2 000 000
	<b>26 000 000</b>	<b>48 800 000</b>

***Operating leases - as lessee (expense)***

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Minimum lease payments due

- within one year	48 903	48 903
- in second to fifth year inclusive	48 903	97 806
	<b>97 806</b>	<b>146 709</b>

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the agency for photocopying machine. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

# Umhlosinga Development Agency (Proprietary) Limited

(Registration No. 2004/016608/07)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

2016

2015

R

R

### 26 Risk management

The entity's objectives when managing capital are to safeguard the entity's ability to continue as a going concern in order to provide returns and benefits for all stakeholders, while delivering sustainable services and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the entity consists of cash and cash equivalents disclosed in note 3 and equity as disclosed in the statement of financial position.

Due to the largely non-trading nature of activities and the way in which they are financed, municipal entities are not exposed to the degree of financial risk faced by business entities. The entity's financial services function monitors and manages the financial risks relating to the operation of the entity. These risks include credit risk and liquidity risk.

#### Liquidity risk

Liquidity risk refers to the ability of an entity to meet its obligations associated with financial liabilities. The entity's liquidity risk pertains to whether funds are available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit obligations.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The liquidity ratio is outlined below:

Current Assets	18 100 638	14 758 800
Current Liabilities	16 006 919	13 978 844
Liquidity ratio	1,12 : 1	1,06 : 1

### Interest rate risk

The entity limits its exposure to interest rate fluctuations by only dealing with well-established institutions and opting for fixed interest rates rather than variable rates.

### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Debtors comprise of mainly outstanding invoices from National School Nutrition Programme, outstanding transfer from parent municipality and former staff debt. Ongoing evaluations are performed on the financial condition of these debtors and have been presented in these financial statements net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by demand for payment or whichever procedure is applicable in terms of board of directors' credit control and debt collection system.

Financial assets exposed to credit risk at year end were as follows:

#### Financial instrument

Investments	5 006 781	1 020 608
Cash and cash equivalents	201 488	87 710
Accounts receivable from exchange and non-exchange transaction	12 378 644	13 348 576

## Umhlosinga Development Agency (Proprietary) Limited

(Registration No. 2004/016608/07)

Annual Financial Statements for the year ended 30 June  
2016

### Notes to the Annual Financial Statements

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2016

2015

R

R

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#### 27 Going concern

We draw attention to the fact that at 30 June 2016, the entity had accumulated surplus of R 2 516 326 and that the entity's total assets exceed its total liabilities by R 2 516 326.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business, dependant on the receiving of grant allocations.

#### 28 Events after the reporting date

No events after the reporting that has been recorded between the date of the financial year end and the date of submission which will have any material effect on the presentation made.

#### 29 Contingent assets

The entity has made a claim against the former CFO, of R705 167.35 where payments were incorrectly paid into another bank account. Case no.98/02/2015 has been opened and currently with special commercial crime unit. The directors are of the opinion that the results of recent negotiations with her attorney have given strong indications that this claim is probable to be met in full in the near future.

### **30 Prior period errors**

#### **30.1 Trade and other receivables from exchange transactions**

During the year ended 30 June 2014 an amount of R 705 167 was fraudulently paid into the wrong account instead of the SARS account. This amount was recognised as a receivable at the time, however, subsequent to the year-end we realised that it was not appropriate to raise a debtor but a contingent asset since its recoverability is contingent upon the court sanctioning the repayment of the amount.

#### **30.2 Trade and other payables from exchange transactions**

Furthermore, during the same year, expenses amounting to R 189 334 were not recorded in the accounting records (expenditure and accrual accounts) of the agency. This resulted to a suspense account with a debit balance as payments were made to suppliers that were not recorded as accruals.

#### **30.3 Expenses**

Expenses amounting to R 194 583.91 were not recorded in the correct accounting period, services were rendered in the 2014/15 financial year also the VAT was accounted in incorrect period R25 096.92.

# Umhlosinga Development Agency (Proprietary) Limited

(Registration No. 2004/016608/07)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015	
	R	R	
The effect of the correction of the error on the 2015 results is as follows:			
	2016	2015	
	R	R	
<b>Statement of Financial Position</b>			
Trade and other receivables from exchange	-	(894 501)	The entity receives service in-kind from the parent municipality. UMkhanyakude District Municipality has provided Umhlosinga Development Agency with the land and building right to use the property without charge. Water consumption are also being paid by the parent municipality but considered to insignificant as amount paid to date is R6 134.56 for 2015/16 and R2 807.22 for 2014/15 respectively. Electricity consumption also being paid by the parent municipality but has been considered as insignificant; UMDA use electricity for light and connection to our computer equipment. Land and building are considered as integral part of
Trade and other payables from exchange		169 487	
VAT Receivable	-	25 097	
Accumulated surplus	-	(699 917)	
	-	0	
<b>Statement of Financial Performance</b>			
Rental of land and building		-	
General expenses		-	
	-	-	
<b>31 Income Tax paid / (Refund )</b>			
Balance at the beginning of the year	-	(680 582)	
Current tax for the year recognised in surplus / (deficit)	(44 035)	-	
Balance at the end of the year	44 035	-	
	-	680 582	

32	<b>Share capital / contributed capital</b>		operation in terms of the space, therefore a revenue is recognised.
	<b>Authorised</b>		
	1000 Ordinary shares of R1 each	<u>1 000</u>	<u>1 000</u>
	<b>Issued</b>		
	100 Ordinary shares R1 each	<u>100</u>	<u>100</u>
33	<b>Rental Income (Service in Kind)</b>	<u>136 842</u>	<u>-</u>



AUDITOR-GENERAL  
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Auditor-General of South Africa

# 2015/16 FY      ANNUAL REPORT



# **Report of the Auditor-General to the KwaZulu-Natal Provincial Legislature and the council on Umhlosinga Development Agency (Pty) Ltd**

## **Report on the financial statements**

### **Introduction**

1. I audited the financial statements of Umhlosinga Development Agency (Pty) Ltd set out on pages 55 to 199 which comprise the statement of financial position as at 30 June 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### **Accounting authority's responsibility for the financial statements**

2. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor-general's responsibility**

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of Umhlosinga Development Agency (Pty) Ltd as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the MFMA.

## Additional matter

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

## Other reports required by the Companies Act

8. As part of our audit of the financial statements for the year ended 30 June 2016, I have read the Directors' Report for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited financial statements. I have not audited the reports and accordingly do not express an opinion on them.

## Report on other legal and regulatory requirements

9. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

## Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for development objective 2 - Local economic development on pages 36 to 43, presented in the annual performance report of the entity for the year ended 30 June 2016.
11. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
12. I evaluated the usefulness of the reported performance information to determine whether it was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information.
13. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for development objective 2 - Local economic development.

## **Additional matters**

15. I identified no material findings on the usefulness and reliability of the reported performance information for the selected objective, however, I draw attention to the following matters:

### Achievement of planned targets

16. The annual performance report on pages 34 to 46 includes information on the achievement of the planned targets for the year.

### Adjustment of material misstatements

17. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for local economic development. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

## **Compliance with legislation**

18. I performed procedures to obtain evidence that the entity complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

### Annual financial statements

19. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements on expenditure and accounts payable were identified by auditors in the submitted financial statements and were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

### Procurement and contract management

20. I could not obtain sufficient appropriate audit evidence that the preference point system was applied in all procurement of goods and services above R30 000, as required by section 2(a) of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and SCM regulation 28(1)(a).

### Expenditure management

21. Money owed by the municipal entity was not always paid within 30 days, as required by section 99(2) (b) of the MFMA.
22. Reasonable steps were not taken to prevent irregular expenditure and fruitless and wasteful expenditure, as required by section 95(d) of the MFMA.

### Consequence management

23. Irregular expenditure incurred by the municipal entity was not investigated to determine if any

person is liable for the expenditure, as required by section 102(1) of the MFMA.

## **Internal control**

24. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation.

### Leadership

25. Leadership did not implement effective oversight over the review of the financial statements and annual performance report prior to submission for audit. Furthermore, compliance with laws and regulations was not effectively monitored by leadership throughout the financial year.

### Financial and performance management

26. There was ineffective monitoring of compliance with laws and regulations and implementation of policies resulting in non-compliance with laws and regulations, management also did not adequately review the annual financial statements and the annual performance report to ensure that information contained there is valid, accurate and complete.

Pietermaritzburg

30 November 2016



AUDITOR - GENERAL  
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**ACTION PLAN ON THE AUDIT REPORT FOR 30 JUNE 2016**

**DATE ISSUED: 06 December 2016**

Paragraph No.	Findings	Actions Required	Responsible official	Due Date	Status as at 06 December 2016
<b><u>Basis for unqualification opinion with non-compliance findings:</u></b>					
<b><u>Compliance with laws and regulations</u></b>					
<b><u>Annual Financial Statement:</u></b>					
19	The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements on expenditure and accounts payable were identified by auditors in the submitted financial statements and were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.	<p>_ Introduce one employee to prepare financial statement below the CFO.</p> <p>_ Align the performance target of our internal auditors to the audit, if they are no finding the AFS review cost will then be paid.</p>	Chief Financial Officer SQ Mntambo	30-Jun-17	<p>_ Currently the finance Officer has been trained by the CFO to prepare financial statements on monthly basis, he is preparing October 2016 financial statement.</p> <p>_ The internal auditors' appointment, still on procurement stage.</p>

<b><u>Procurement and contract management:</u></b>					
20	I could not obtain sufficient appropriate audit evidence that the preference point system was applied in all procurement of goods and services above R30 000, as required by section 2(a) of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and SCM regulation 28(1)(a)	<p>_ Strict adherence to the SCM Policy has been put to avoid irregular expenditure.</p> <p>_ This will be regularly monitored.</p> <p>_ Quarterly SCM report has been prepared and submitted for review by management to the Audit committee and to Board of directors for oversight.</p>	Chief Executive Officer M.M Ntuli	30-Jun-17	All appointment above R30 000 has been subject to Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)
<b><u>Expenditure management :</u></b>					
21	Money owed by the municipal entity was not always paid within 30 days, as required by section 99(2) (b) of the MFMA	<p>This due to the cash flow and delays in transferring money from the parent municipality.</p> <p>The entity is implementing strict Develop internal controls on receiving invoices (Suppliers has been informed that invoices should be submitted only to the designated email address and to the reception)</p> <p>The entity has aligned its spending to cash flow to avoid the delays on creditors payments.</p>	Chief Executive Officer M.M Ntuli	30-Jun-17	As invoice are received by the finance officer; they are stamped.

22	Reasonable steps were not taken to prevent irregular expenditure and fruitless and wasteful expenditure, as required by section 95(d) of the MFMA.	Strict adherence to the SCM Policy has been put to avoid irregular expenditure as result the expenditure has reduced drastically. _This will be regularly monitored. _Quarterly SCM report has been prepared and submitted for review by management to the Audit committee and to Board of directors for oversight.	Chief Executive Officer M.M Ntuli	30-Jun-17	Quarterly SCM report are sent for the MANCO and Board
<b>Consequence management:</b>					
23	Irregular expenditure incurred by the municipal entity was not investigated to determine if any person is liable for the expenditure, as required by section 102(1) of the MFMA	_Strict adherence to the SCM Policy has been put to avoid irregular expenditure as result the expenditure has reduced drastically. _This will be regularly monitored. _Quarterly SCM report has been prepared and submitted for review by management to the Audit committee and to Board of directors for oversight. _A sub-committee to the board be appointed represented by 2 board member and 1 councillor to investigate those irregular expenditure	Chief Executive Officer M.M Ntuli	30-Jun-17	Awaiting for the internal auditor to be appointed for them to do investigation.

<b>Internal control:</b>					
<b>Leadership:</b>					
25	Leadership did not implement effective oversight over the review of the financial statements and annual performance report prior to submission for audit. Furthermore, compliance with laws and regulations was not effectively monitored by leadership throughout the financial year.	All structures, the oversight board committee will be trained to exercise oversight. Compliance checklist developed will be implemented and submitted to the audit committee for review on quarterly basis.	Chief Executive Officer M.M Ntuli	30-Jun-17	Board is monitoring compliance laws and regulations through compliance checklist.
<b>Financial and Performance Management:</b>					
26	There was ineffective monitoring of compliance with laws and regulations and implementation of policies resulting in non-compliance with laws and regulations, management also did not adequately review the annual financial statements and the annual performance report to ensure that information contained there is valid, accurate and complete.	_Introduce one employee to prepare financial statement below the CFO. _Align the performance target of our internal auditors to the audits if they are no finding the AFS & APR review cost will then be paid.	Chief Executive Officer M.M Ntuli	30-Jun-17	_Currently the finance Officer has been trained by the CFO to prepare financial statements on monthly basis, he is preparing October 2016 financial statement. _ The internal auditors' appointment, still on procurement stage, their terms of reference include this reviewing of APR & AFS.
-					